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Frances U. Vass

Remington Rand Methods News

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The Other Man's Shoes . . .

ANY enterprise that is to succeed must fulfill three important functions. It must operate with methods that eliminate waste of human and material energies; it must meet a genuine economic need; and it must encourage high productive effort through sound human relations.

The Society for Advancement of Management was inspired by the conviction of these facts. SAM is motivated by a zeal to spread the benefits of scientific management, which alone can implement the three necessities to management success. This zeal demands in turn the highest factor in human relations — an open mind. The spread of scientific management cannot be achieved simply through the dissemination of techniques or methods. For there exists today a gap between management and labor, and this gap must be closed, if the benefits of scientific management are to be utilized to their full power to advance the living standards of everyone dependent on our economy.

First we must measure the gap. We know that when management and labor meet, both sides bring a completely different set of beliefs and feelings to such a meeting. Measuring the gap is the ability to see the problems and pressures that determine the other side's point of view. Management must take the lead. Every effort in this direction improves communications, embellishes management's progress, promotes its position in obtaining the best results in long-range management-labor relationships.

It is in this way that, day by day, the benefits of scientifically applied human relations are accomplished. The science of management is put to practical work, the research of psychology and industrial relations is employed in actual operation.

Today there are psychological rules, easily available, to help management close the management-labor gap. And common sense is often a great and powerful psychological tool. For fundamentally every man is moved by the same familiar, basic drives.

We must not think we confront too special a situation when facing men with a different set of feelings, another set of beliefs. Study what they say. Put their shoes on; see how they stand. You need not be converted. But you will be able to communicate with them.

In talking, you will be utilizing your finest knowledge, your coolest head. You will speak from your own viewpoint but with understanding of another. The recriminations, irritations, the small ugly pitfalls into which so many management-labor conferences have fallen, can be avoided. Over a period of time, results are certain.

The highest production effort will be encouraged. Negotiation itself can become a productive discussion. And a step toward establishing an enduring enterprise and a contribution to the ideals of scientific management will have been quietly, practically, and emphatically accomplished.

BRUCE PAYNE, PRESIDENT, SAM

Industrial Relations As A Modern Challenge To Managements Capacity For Salesmanship

by W. L. McGrath

This article claims a trend in management-employee relations of immense potential significance to management. The actual employee in industry has begun to resent being called on strike merely for the purpose of developing an industry demand pattern. In a recent strike in an aviation company (American Aviation of Burbank, California and Columbus, Ohio), employees were satisfied with the company's offers and did not want to strike, but were called out nevertheless. In view of the coming inevitable national controversies over changes in the Taft-Hartley Law, this author points up a growing feeling of importance to all management

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THE man in charge of industrial relations today is an important key in any organization. Many chief executives fail to recognize this because the money they save the company usually shows up on someone else's balance sheet.

If you are the industrial relations officer in your plant you are an important cog in the wheel. The function is certainly important. So in studying industrial relations men we are dealing with men who occupy a place of pivotal importance in our industrial structure.

The problem of industrial relations, it seems to me, resolves itself primarily into two parts, which I term external and internal.

The external part of the problem deals with the laws under which we operate.

Coming up for review and possible amendment, at the present session of Congress, is the Taft-Hartley Law.

We know that the spokesmen for the large national unions are pushing for amendments. Employers on their side are likewise pushing for amendments. To my mind the vital question, so far as the Taft-Hartley Law is concerned, is that the freedom of the individual be preserved.

Every individual workman must be free to join, or not to join, a union.

In viewing proposed amendments, we should not consider them from the standpoint of what might be advantageous to the employer, but should consider them solely from the standpoint of the freedom and rights of the individual citizen.

The forthcoming Taft-Hartley debates will be merely one phase of a struggle that is going on throughout the world between the proponents of state control of the means of production—a regimented economy — and the proponents of the free enterprise system.

Americans believe that people have certain fundamental or inherent rights. Under this belief, certain rights belong to the people; not collectively, but individually.

Individual Rights Must Be Safeguarded

That's why I say our approach, on the issue of the Taft-Hartley Law or on any other issue dealing with industrial relations, should remain one of protecting the rights of the individual against government. Let's stand firm on the Declaration of Independence and the Constitution of the United States of America.

Not so many years ago, I had no concept whatever of the great argument that was going on in the world between the champions of the free enterprise system and the proponents of a planned economy.

Then, by a peculiar set of circumstances, I was asked to serve as a member of the United States Employer delegation to the Annual International Labor Organization Conference in Geneva. I served in that capacity for four years.

This is not the place to explain the workings of that organization. Briefly, it is now an arm of the United Nations. It is attended by government, labor, and employer delegates from countries all over the world.

Its main purpose is that of drafting proposed international laws to govern labor relations and regulate society the world over.

Here are some of the international laws which have been proposed by the International Labor Organization.

They wanted an international law which would entitle government to "negotiate, conclude, revise and renew"

collective agreements. They also wanted a law saying that if, in any industry, part of the employees and part of the employers worked out a collective bargaining agreement, government could *extend* this same agreement to *all* the rest of the employees and employers in the industry.

Under such laws, government could arbitrarily determine a wage agreement and then enforce it on everybody in an industry, including companies where there were no unions.

The dominant philosophy of the International Labor Organization was that government should run everything by regulation and decree.

The big unions from the United States and from practically all other countries, supported this idea.

If America develops into a socialist state, with the planned economy and government by decree, I think the unions as well as individuals would lose their power and their freedom, and would be merely puppets subject to the dictates of a bureaucracy.

I return to the International Labor Organization because it has been in existence for some 35 years, and it has had a profound effect on industrial relations philosophy and legislation throughout the world.

For example, the Wagner Act appeared to be something new. It wasn't. It was evolved by the International Labor Organization long before it got to this country.

We now hear rumors of a system called co-determination. The International Labor Organization call it "co-operation." What it means is that unions and management shall have an equal voice in running the enterprises in which they are engaged; with government in a position to decide the issue in case of a deadlock.

Co-Determination Now At Work In Germany

This system is actually in operation in Germany today. In 1951 Germany passed a law providing that the boards of directors of steel, iron, and coal companies should consist of eleven men, 5 elected by the stockholders, 5 representing labor, and the eleventh man selected, if need be, by a conciliation committee.

And what if the conciliation committee can't select the eleventh man? In that case, says the law, the matter will be submitted to a federal court. In short, it will be submitted to government.

So government will have the power to appoint the man who will decide the issue in event of disagreement between union and management.

This is part of the philosophy that government should control everything, a philosophy common to both Socialism and Communism.

Will the free individual, now possessing certain basic rights, delegate powers to government? Or will government, exercising supreme power, grant certain privileges to the individual? That is the big question.

There is the issue. It is the issue of our Declaration of Independence and our Constitution against a diametrically opposite concept.

The Problem Is Internal; What Do Men Think?

Is this a problem dealing only with laws? Is it an external problem? Indeed not. It is equally an *internal* problem. For its solution depends in the last analysis upon *what men think*—the men inside your own plants.

You have in your company, let us say, three hundred employees. What do they believe? Whose leadership are they going to accept? That is the sixty-four dollar question involved in industrial relations.

Are the majority of the men in your plant going to give their allegiance to orators who say "The system ought to be changed"? Or are they going to give their allegiance to *your* company, *your* industry, and *the free enterprise system?*

You can't solve this situation by passing a law, by contributing money to an organization, or by setting up the mechanics of an industrial relations department. The job is far deeper than that.

It is primarily a *selling* job.

This is the heart of the problem: if the men who work for your company *believe* in your industry; if they think the top executives in their plant are honest and dependable men; if they think the bosses and the owners are playing fair with the employees as to who gets what out of the money the company takes in; if they understand that America is built on the competitive system, that they are part of it, and that it is a good system; then you have a foundation upon which to build sound industrial relations.

But how many companies have such a foundation today? Comparatively few.

It has only been within the last few years that employers have realized that if the free enterprise system is to stay alive anywhere in the world, it is high time they inaugurate and maintain a large scale program of economic education among their employees that will disprove the fallacies of the opposition and renew faith in the basic principles of the Declaration of Independence and the Constitution.

Substantial progress is now being made in this direction. But it is tough going, because nearly the entire American public has been indoctrinated with an amazing series of economic misconceptions. Let me review some of them briefly.

The biggest misconception is that corporate profits are too big. The story is that the owners and the bosses get too much of the income of the company and the workers and the men down the line get too little.

Here are the results of some of the surveys made on this subject. According to McGraw-Hill, net profit of all corporations in the United States averaged, in 1952, 3.6 per cent of total sales. Yet Dr. Claude Robinson of Opinion Research Corporation reports that by and large, on the average, most people in all walks of life think that the ordinary industrial company makes an annual net profit of at least 25 per cent.

Not long ago a group of high school students were asked what share of a company's income they thought the owners got, and the majority answered "over 50 per cent."

Misconceptions About Business Share Of Profits

Sherman Rogers, a Cleveland lecturer on industrial economics, recently made a survey in various cities throughout the country to find out how much net profit people thought was made by various types of business. The idea of the survey originated because a stenographer in his own office told him that of course anybody in business made a profit of at least 50 per cent, and when he asked her for the source of that statement she said that she got it from a professor at a university from which she had recently graduated.

The Sherman Rogers survey indicated that most people thought that in most businesses the ratio of net profit to sales is well over 25 per cent.

Furthermore, also according to public opinion surveys, the big corporations and the rich industrialists are believed to have all the money in the country; so they should pay all the taxes. Another misconception is that new and

better machines destroy jobs. And recently, some national union spokesmen have advanced the theory that a corporation does not need to save any money out of its net earnings for re-investment in the business, and that all earnings should be paid out to employees and stockholders.

Another common misconception is that in all big businesses there is no competition. The top bosses get together, allocate prices, fix markets, and the public is the victim.

The basic job is to explode some of these misconceptions. But how much is management doing about it? What are we doing, for example, about the "big profit" misconception, which is the most important one of all?

Some of us are getting out reports to employees. Many companies are sending their stockholders' reports to employees. But how are these reports worded? Are they worded in terms that employees can understand?

Newspaper Accounts Often Confuse The Issue

Corporation profits are reported in the newspapers about like this: "The XYZ Corporation for the year 1953 earned a net profit of $5,600,000 or $3.60 per share of common." This is clear enough to the stockholder and the analyst, but what about the employee?

Why doesn't the XYZ Corporation start out, in the story it sends to the papers, with the words, "In 1953 the XYZ Corporation made a net profit of three and six-tenths cents on every dollar of sales." Then they could go on with the rest of the story. But without that vital figure, without that figure that shows the *relationship between profit and sales*, the employees and the man on the soap box will naturally concentrate on the profit figure of $5,600,000. To the man in the shop that figure, standing alone, looks mighty big.

Where industry has fallen down has been in not giving the public and the employees enough facts about its earnings and its operations. What is called for is an intensive campaign of economic education. This is the essential foundation of any enduring program of industrial relations. Because it is only through such a program that the allegiance of workers now given to protagonists of big government can be transformed into an allegiance to industry and the free enterprise system. Education is an indispensable factor in preventing and alleviating small annoyances and correcting misunderstandings before they develop into real or imaginary grievances.

It is simply a proposition of giving people the actual facts, in a form which they can understand.

Dr. Robinson of Opinion Research Corporation, who has probably done more investigating of employee opinion than any other man in this country, says:

"It can be demonstrated that when you take the ideologies of people with different informational levels, you always find that the ideologies swing to the right as the *facts* are clearer in people's minds. That is demonstrable over and over again. It doesn't make any difference what income groups or what age groups or what educational groups they are; that basic principle holds. The more people know about the capitalistic system, the more they believe in it."

Start with the foremen. Give them a real course in the economics of your company and your industry. Give them the current profit picture of your company *by departments*, so they know where they stand in the profit picture.

The next step is to spread the program of education as far as possible among the rank and file of employees. The first step in this direction is to give them an annual earnings report of your company in terms they can understand. You go on from there in whatever way is appropriate to your company. If you want any specific suggestions in that direction I would suggest that you consult The Employers' Association of Chicago or write to the Foremanship Foundation of Dayton, both of which have done considerable investigating as to economic educational plans for the rank and file of workers as well as for foremen.

Executives Should Devote Time to Employee Relations

How many top executives have spent a whole day with their executive staffs trying to figure out how we can sell our employees on the fact that we are honest men, that our company does not make inordinate profits, that the owners and the bosses don't get too much money and the employees too little, and that competition is very real in our industry? Perhaps few enough. Yet I venture to say that these same top executives have spent day after day in conferences designed to figure out ways and means of selling more of the company's products.

Both jobs are sales jobs. Most company executives do not realize that they are today in a preferred position, as far as selling their employees are concerned. A recent survey made by Opinion Research Corporation showed overwhelmingly that employees, by and large, were inclined to believe statements made in company publications to a far greater degree than statements appearing in other semi-official publications.

Employees Have Faith In Word From The Boss

In short, the employees do believe the boss. If the boss says so and so is true, they are inclined to take his word for it even though a national organizer says something quite to the contrary.

Now, once your employees are convinced that the boss is an honest person, that your company makes only a reasonable amount of profit, that the distribution of income between workers and owners is fair, and that you are really in a competitive position and fighting for business, they will begin to get a sense of the company as a common enterprise in which the workers, the management and the stockholders are engaged on behalf of the best interests of all.

What happens then? Well, the organizer may demand that your workers take a stand on a particular point because it is trying to enforce a certain national pattern, or trying to promote a certain philosophy, or trying to wangle a certain step in political strategy. At that point, if the workers in your plant are sufficiently convinced that you are on the square, they may break completely with the issue in question. Eventually you may find yourself with the equivalent of a local union, or none at all, with employees or a shop committee who understand the competitive situation of your company, men who believe that your top management is honest and fair.

Then you can go ahead and negotiate with men who may be firm in some of their demands but who are reasonable, who can be talked to on the basis of actual facts, and who will be willing to work out a settlement on the basis of the best interests of all concerned.

If you can educate the men in your plant sufficiently, they will elect a shop committee that will really represent your own men instead of serving as a mouthpiece. And once you have that, what more can you ask?

Once you get to that point you will have arrived at the principle of local

self-government in industrial relations, and will have defeated, right in your own plant, the principle of industry-wide bargaining.

But no company can develop a constructive industrial relations program without the continuous personal attention of the top management of the company.

Pity the industrial relations man who is told by the president of his company: "Your job is to keep peace and see that we have no strikes. I'm busy with sales, and besides I'm going on a trip to Europe." Any industrial relations man who has to "keep peace at any price," and is not backed up by current consultation with his own top management, can only follow one course—and that course is appeasement. It is not fair to put an industrial relations man in that position.

Industrial Relations Must Be Joint-Planned

Industrial relations policies must be worked out by top management and the industrial relations man working together as a team and with complete understanding.

Furthermore, the major industrial problem, having to do with the allegiance of men to their own company, their own industry, and to the free enterprise system, is one far too broad to be placed on the shoulders of industrial relations or personnel men alone. Policies and programs toward that end should be formulated by the head of the company after due consultation with his labor relations' officers.

Understand, I am not for a moment belittling the established functions that fall under the head of industrial relations and personnel work.

For example, selective hiring is in itself a job of major importance. The company's safety and medical programs, which usually lie within the industrial relations department, certainly have a great deal to do with the attitude of the workers towards the company.

Personnel Function Should Be Only Advisory

The industrial relations department performs vital functions with respect to proper utilization of manpower. It lives daily with the problem of supervision. It can do much toward helping the foreman function as an integral part of management in fact as well as in name, but, in my opinion, the function of the personnel officer should be consultative or advisory rather than executive.

In the larger companies the industrial relations man can serve excellently to handle various phases of union negotiations, and, in the case of vital issues, get rid of excess verbiage and reduce them to specific terms. But if the head of the company does not give him proper attention and support above and beyond these points, he will be limited in what he can accomplish and the fault will not be his. The industrial relations man should not be asked to handle vital and dangerous situations of the widest scope and consequence affecting not only the company but employees and the entire community without having the full spirit and courage and conviction of top management behind him, indeed, right at his side.

So, in final analysis, the problem is one for the chief executive of the company. They should be told:

"Look here, you have industrial relations and personnel men who are no doubt fulfilling their established functions very well. But they cannot carry the entire industrial relations job in your company because most of that still remains your own responsibility. You cannot gain the full allegiance of your employees to your company, your industry and the American free enterprise system, simply by maintaining the functional elements of an industrial relations and personnel setup."

A Four-Point Plan For Labor Relations

I know this because I have been through it myself. I am the head of a small company. We employ some 700 people. Labor trouble is something we just don't have. Here is why.

First, every foreman in every department of our company is kept thoroughly informed, month by month, not only as to the current financial and profit picture of our company but as to where his particular department stands.

Second, every employee of our company gets, each spring, a complete report on the financial operations of our company in which we tell first of all the ratio of profit per dollar of sales, and then go on to explain what happened to the company's income.

Third, I talk personally to all the people employed by our company at least once a year, and oftener if there is an occasion to do so. In these talks I explain the competitive situation of our company. I also invite questions of any nature whatsoever, and do my best to answer them.

Fourth; I don't pull any punches. In talking to our foremen, and to all of our men when we get together, I state the philosophy of the American competitive system as I see it. I know what the opposition is, because I have seen it at work at the International Labor Organization's conferences in Geneva and elsewhere. I tell our men what the State Socialists are up to, and try to explain to them the fallacies of the Socialist concept and advantages of the American system.

America's Biggest Product: Individual Freedom

We have in this country one of the finest political products that the world has ever known. That product is individual freedom. Too much history is a record of ways and means whereby special groups or governments, under one excuse or another, have tried to stifle individual freedom. Our country is one of the few places in the world where they have not thus far succeeded.

Most people in this country take freedom for granted. But that's our big product: individual freedom. That's what we have to sell in competition with other ideologies. That's the big thing we can sell our employees.

If you have individual freedom, you are not dictated to by any organization with offices in some remote city. You can stand on your own rights under the principle of local self-government. You are protected by, but not dictated to, by government. You are not dictated to by your employer, because you have rights as an individual citizen.

Management should have great faith in the judgment of the rank and file of the workers of the United States. Perhaps we derive that great faith from Thomas Jefferson.

This is what Thomas Jefferson said: "The sum total of the common sense of the common people is the greatest and strongest force on earth."

But for people to exercise their common sense they have to have facts upon which to base their judgment. The management of American industry needs to do simply this: give employees the facts about your business, your industry and the competitive system; back up your industrial relations and personnel men in their programs. That combination will do the job that has to be done to keep the American competitive system alive and free. END

The Will To Work: A Program For Developing Employee Relations Through Supervisors

by Robert M. Crooks

Every modern management man is vitally interested in the problem of maintaining employee relations that are both efficient and human. This author describes a method his company has developed for actually creating not only satisfaction, but a positive desire on the part of the employees to work wholeheartedly for the good of the company. The key personnel in this program are the supervisors, whose discussion group sessions form the basis for transmitting the will to work down the line to other company employees

• The HOBSO program, first developed by the du Pont organization, is a visual program designed to discuss basic economics. Visually, cards with nylon bristles on the reverse side, are slapped on the flannel board where they adhere. The program discusses in different charts, the interrelationship of customers, management and owners; the accomplishments of our American system; the effects of competition; the individual liberties enjoyed under our system; proposed changes; and the application of general economic principles to the company's own story.

The writer has presented the HOBSO program to supervisory and non-supervisory personnel throughout the country. The present program—"The Will to Work"—is designed to meet additional needs with respect to supervisory training. A companion program entitled "You and U.P.S." has been designed particularly for non-supervisory personnel. Its purpose is to discuss with our people basic business principles, particularly as they relate to the self-interest of personnel in our own company.

ONE OF the fundamental problems facing industry today is the creation of the will to work. We know that people cannot, over a period of time, be forced to do a job. If a job is to be done effectively, it must be done voluntarily. This has always been sound human relations, and under modern conditions, with strong unionism, it is particularly true today.

Recognizing this basic principle, United Parcel Service inaugurated a supervisory development program, designed so that supervisors had a chance to discuss the factors that tend to cause a man to want to do a good job. It is entitled, "The Will to Work."

The program is visual, employing the flannel board technique and the conference method. In a manner similar to that used in the conduct of the "How Our Business System Operates" program, the conference leader places illustrative cards on the board as the discussion develops. The program thus utilizes three fundamental training approaches: group participation and development of the discussion, group visualization of the program as illustrated on the board, and conference leader expression of the conclusions the group has reached.

The number of meetings is tailored to meet the pattern of supervisory need. It will largely depend on the length of time currently available for discussion and exploration of supervisory problems. Since the program seeks participation and development of complete discussion, the number in the group is usually most effectively limited to about fifteen. A larger group, however, can be effectively led by a leader trained in the conference technique. The basic principles of any program are applicable to other businesses after substitution of facts and figures pertinent to the company or industry involved.

The leader, in commencing the program, will raise the question of what we mean by "The Will to Work." The group in discussion recognizes that everything we do tends in some way to create or restrict that will. "How," the leader will ask, "do you and I fit into the picture?"

In the ensuing discussion is developed the essential fact that supervisors are an important part of the management team, and have a responsibility for getting a job done. That job gets done in any organization through people. This is particularly true in a service industry such as United Parcel Service. Thus, the group recognizes that we need to think in terms of people; people in dozens of job classifications but each an individual

needing to be treated as such. Since this is so, the group sees that the importance of developing a good attitude is paramount.

Much discussion may be had as to what we mean by a good attitude. Basically, the group concludes, it is the desire to do a job. The supervisors see that we can be sure *some* attitude will be developed. Hence, our purpose is to create a good one.

"What," the leader may ask, "is the keystone of our objective in a service industry?" The group readily sees this keystone to be quality service at reasonable cost, each going hand in hand with the other, and dependent on good attitude. To develop the will to work, the group recognizes we need fundamentally to rely on persuasion and fairness, not force. The heart of the creation of the will to work is a man's feeling he has been treated fairly.

Discussion brings forth the recognition that each of our people has certain job needs. To get a job done effectively we have to seek to satisfy those job needs. Since our people differ according to their heredity and environment, with individual strengths and characteristics, there can be no stereotyped technique. Necessary to attainment of our objective is the effective use of all the qualities of leadership we can muster, and the faithful performance of our management functions.

Attaining The Objective of Quality Service

Attainment of our objective of quality service with reasonable cost through the will to work, forms the support for satisfied customers. This in turn increases our volume of business. More secure and stable jobs for our people closely follow, together with growth and expansion. In the discussion, the group brings out that there then come additional opportunities for all of our people.

The group now turns its attention to motivating influences which affect the behavior of employees. No technical psychological distinctions are made. While primary wants and instincts are recognized, the group concentrates rather on certain basic needs which people seek to have satisfied in their jobs. The supervisors in their discussion develop the basic psychological principle that the conduct of people is constructive or negative depending on what seems to them to satisfy their needs. The group sees that we need to show our people that doing what we want them to do will satisfy their needs.

"What, then," the leader will ask, "are these basic needs?" Discussion indicates what numerous surveys reveal. People are seeking security in its various forms: food, clothing and shelter; security as to sickness, hence disability benefits; security as to unemployment, hence unemployment insurance; security as to old age, hence pensions; security as to accidents, hence hospitalization and workmen's compensation. A natural question arising is: are we who provide such benefits communicating our story properly to our people?

Job Satisfaction, A Difficult Problem to Handle

Satisfaction from the job is seen to be another need. Satisfaction, the group sees, arises out of pride in achievement, out of doing something worthwhile. Thus, the supervisors see the need to tie in the significance of the job with its relation to the over-all undertaking.

People seek opportunity for advancement, a chance to get ahead and consequently better provision for their children. Members of the group thus ask themselves: are we sufficiently emphasizing the opportunities that lie in our expanding company?

The importance of appreciation with respect to the needs of men is emphasized. That people want recognition, a place in the sun, a feeling of importance, is fundamental. Supervisors recognize again that the hunger for appreciation is basic to human nature, hence we need to practice a spirit of approval rather than of criticism.

The need for friendship and respect is discussed, and the various aspects of development of a feeling of belonging. The value of close relationships is emphasized.

The basic individuality of each of our people is fully explored, and the group recognizes that not only do people differ from each other, but individuals differ from day to day. The physical differences of people are apparent, but not as readily recognized are the differences of temperament and emotional structure. All of our people have their strengths and weaknesses and the problems of human nature differ basically only in degree.

That people have a need for loyalties is readily recognized, as, for example, loyalty to the school, the church, the flag, the home. "What," the group asks, "should we be doing to develop loyalty to the company?"

The various aspects of monotony and boredom are fully discussed by the supervisors in their consideration of the workers' need for variety. The group in its discussion explores what we can do about the problem of boredom.

Clearly, the group sees, one of the most powerful incentives to action is the need for status, of a feeling of importance in the organization. The group recognizes that the self-interest of our people is the driving force, and we need to direct our appeal accordingly.

The fundamental principle developed out of the next discussion is that serious consequences arise out of unsatisfied job needs. When the needs of people, as they view them, are not satisfied in the job, performance and cooperation are affected negatively. Feelings of frustration develop when it is believed the way has been blocked. The natural object of the ill-feeling is the company which provides the jobs which fail to satisfy the workers' wants or needs. These frustrations give rise to negative behavior on the job which supervisors, unfortunately, have much opportunity to observe. Examples of these frustrations are indifference, sulkiness, stubbornness, criticism of working conditions, defiance, lateness, and absenteeism.

Each of these and related consequences may be fully examined by the group through the conference technique only, or through role-playing or prepared case studies. A combination of these techniques appears to be preferable. In such manner, supervisor participation is fully developed and illustrations studied of the negative behavior involved.

Frustrations Are Result of Emotional Dissatisfaction

The group sees that since frustrations are the result of dissatisfaction largely emotional in nature, the solution of the problem lies not in threats or arguments or in giving battle. The solution lies, rather, in understanding the job needs of our people and seeking to satisfy them. Clearly, if a man is agitating, our job is to find out why, and what we can do to prevent these serious consequences from arising.

The visual presentation of the consequences of unsatisfied needs is made through separate cards, each of which represents one of the frustrations discussed.

During the discussion and creation of the next chart, the group examines the nature of the supervisory job and its

relation to the creation of the will to work.

Supervision, it is clear, involves getting the job done through people. Men look upon their immediate supervisor as the company. What, then, are the basic responsibilities of the supervisor?

The primary responsibility, the group indicates, is to get the job done. Various aspects of getting the job done are discussed. These aspects include the need for effective results (service and cost-wise), the importance of avoiding sudden change, the desirability of consultation and explanation.

Another basic responsibility is seen to be for the safety and well-being of the supervisor's people, as, for example, providing them with good equipment and proper training.

The supervisors discuss the responsibility for care of equipment and facilities, prevention of waste, and provision for efficient use.

Development of Morale Must Be Discussed

Development of morale comes in for discussion, and the desirability of giving credit and recognition for a job well done.

The responsibility for cooperation with others is emphasized. Cooperation is essential with other members of management, with the men, and with the union.

Training and development of his people are set forth as another basic responsibility of the supervisor. The worker is naturally more interested in doing a job when he knows how to do it and his superior is taking an honest interest in developing him.

The importance of keeping records and reports is stressed. The group recognizes that time-consuming record keeping is an essential of the job since records provide, among other things, a basis for comparison and a guide for the future.

Finally, leadership is emphasized as an important factor in the creation of the will to work. In this respect, the supervisors see the need for showing the way, and by deed as well as by word remaining on top of the job themselves, as a stimulus for those reporting to them.

Since leadership is a vital part of the supervisory job, the group examines the various qualities of leadership. Thus, the supervisor is seen to need physical and nervous energy and a capacity for work. He needs purpose and direction. Clearly, the supervisor is more likely to get there if he knows where he is trying to go and what he is trying to do. Enthusiasm is seen to be important; not an unreasoned, carried-away attitude, but rather an energetic confidence in the soundness of our purpose and objective. Initiative and the various aspects of self-starting are fully considered as qualities of leadership. The importance of integrity is examined and the need for dependability, honesty and loyalty. Clearly, the supervisor needs knowledge of the work, the technical skill, the know-how and the ability to plan. The element of decisiveness—willingness and courage to make decisions—is brought out. It is recognized that the easy way is to let things slide—rather than affirmatively to choose a course of action. The factor of intelligence—the capacity to learn and apply—is discussed as an element of leadership.

Friendliness and an honest interest in his people and their families, are seen to be a basic responsibility of the supervisor. The group in discussion recognizes that the job and the home are closely related, that there is a real need for understanding and help when personal problems arise.

Finally, the group sees that the facets of the quality of leadership, like nearly everything else, will vary with different situations; that getting the job done while maintaining the respect and will to work of the men, is paramount; that the personality of the leader and the climate of the situation may govern the approach and the result; that the real objective is effectiveness which is attained through proper attention to the principle of balance; that balance involves judgment, moderation, understanding and a judicial weighing of the facts.

Will to Work Can Be Lost

It is well known that a good attitude can be soured quickly and the will to work, once attained, readily lost. A serious factor in such a change, and an obstacle to attainment of the will to work, is the reprimand. Clearly, on occasion, people need correction and if it is improperly handled, serious consequences can result.

The group sees that the primary purpose of a reprimand is to improve future performance by improving the man rather than to impose a penalty for its own sake. It is recognized that there are dangers of rationalization, that a man may be sincere though one-hundred per cent wrong, and that he can frequently fool himself more readily than someone else. Therefore, the supervisors see it is vital that a distinction be made between fact and sentiment; that though a grievance is mythical in appearance, it is a grievance nevertheless if the man thinks he has a grievance. Basically, then, the group recognizes we have to contend not only with facts but also with feelings that have an effect similar to facts.

The group considers together ten principles of correction. These are represented as getting the facts, correcting in private, outlining the situation, mentioning the plus qualities of the situation, asking questions and avoiding threats, giving an opportunity to talk and save face, fitting the method to the individual, avoiding argument, seeking to close pleasantly and restore confidence, and avoidance of nagging.

Actual Firmness Used Only As Last Resort

Finally, the group discusses the need to be firm where called for by the situation. None is so naive as to believe that all men will respond to fair treatment. On more than rare occasions, unfortunately, it is necessary to move in drastically. But this step, the group recognizes, is taken only as a last resort. The supervisors know that the unpleasantness we must face by meeting directly the issue of a man who has not kept the faith, is the lesser of evils. Thus, they know from experience that violations gotten away with by one may result in similar violations by others. By taking drastic disciplinary action, the situation has frequently cleared up rapidly with respect to others. How we handle certain disciplinary action, the group recognizes, has its effect on the rest of our people. If they know that the man who has been disciplined has been treated fairly, greater respect is developed for the supervisor and the company; if unfairly, the will to work is given a serious setback. Consequently, the supervisors recognize, thorough preparation in arbitrations and other disciplinary matters is of the essence.

The next chart calls to the attention of the supervisory group certain aids to operation in the creation of the will to work. Thus, the Company's written policy book offers an excellent guide and support. The group discusses company policies which relate to our dealing with our people. Examples of company policies are: "we treat everyone with friend-

liness and courtesy", "we insist that a spirit of democracy and teamwork prevail in our organization", "we build our organization around men, not methods and systems", "we provide clean, comfortable and healthful working conditions", "we are actively concerned in the well-being of our people", "we develop friendly relations with labor unions", "we are interested in the development of each man", "we insist that every employee be given a square deal", "we insist that every grievance be handled promptly and sincerely", "we give due promptly and sincerely", "we insist that there be no partiality or favoritism", "we give due credit with special recognition for unusual accomplishment", "we treat all our people as we would like to be treated."

The group recognizes that the Company has had excellent growth over the years and the relations we have had with our people attest to the soundness of our policies.

Other aids to operation include the fact that our supervisors are stockholders, hence have an even greater incentive for effective action. Further, carefully set standards of performance have been established to measure a fair day's work. Thus, each man is provided a reasonable guide to performance.

A basic aid to operation is found in our communications, which are fully discussed. The supervisors recognize that the best communication is by way of personal contact and knowing our people. The house organ and its function is also analyzed. Thus, the group emphasizes the importance of letting people know what is going on, and where they stand.

Finally, it is stressed that our basic task is to weld all of our people—people with different personal ambitions, attitudes and backgrounds—into an efficient, operating work-force.

Nearly all of our people are represented by labor unions. Our delivery personnel are represented by the Teamsters, and our mechanics and maintenance men, by the Machinists. Each is a powerful organization with drive and vitality. Our relations, generally, are good. The next chart, relating to unions, involves a discussion among our supervisors of the various factors which tend to cause a union and its representatives to have the will to work with us.

The group discusses the various factors which will tend to bring Union and Management together to a point of understanding. These factors are developed to be: honesty and sincerity, the keeping of promises, an interest in the welfare of the union, prompt attention to union matters, recognition of status, a willingness to consider suggestions as indicated in consultation, explanation and the giving of reasons for courses of action, cultivation of friendly personal relations with business agents and stewards, meeting from time to time with union representatives though no problem is pending, and seeking to get the union to recognize the company's problems.

Summarizing the program, the conference leader sets forth the various conclusions at which the group in their discussion of the will to work have arrived. Thus, we render service through people, people are the key to our costs, costs are the key to the security and stability of our jobs, people are seeking satisfaction of their needs, we must seek to satisfy those needs in the job, supervision involves getting the job done through people, effectiveness is determined largely by how well we do our supervisory job (including exercise of the qualities of leadership) the purpose of correction is to improve performance by improving the man, we have valuable aids to operation, particularly in fundamental policies which are fair, and we recognize the status of unions and seek to develop understanding with them.

The will to work, the group recognizes, is the result of a combination of many factors which add up favorably. Its attainment is a primary objective of American management, worthy of our best efforts. END

THE OPINION POLL AS AN EMPLOYEE-RELATIONS DEVICE

The technical efficiency of employee opinion polls varies according to the integrity and competence of the surveyors and according to the subject matter dealt with. Polling, like other interviewing, calls for unblemished integrity, for no interviewer dare violate the trust of his respondents. An executive unwilling to observe this limitation will find it difficult if not impossible to employ reputable consultants in the polling field.

Even the most competent pollster suffers from the gaps in polling techniques. Of the several types of information communicated in polls, factual data are reported most accurately, although the federal census itself is not without error. . . .

Attitude measurements are most vulnerable to error, particularly when they are made by persons without experience and training. Many attitude surveys can be challenged on the grounds that objectives were not clearly defined beforehand, that sufficient insight has not been brought to bear on the results, that single questions have been presumed to tell much more than they ever do about management-employee relations, and that there has not been adequate pretesting. Much difficult work is being done to refine the techniques of attitude measurement, and the promise of increased accuracy is great.

One of the potential advantages of questionnaire polls over individual interviews is the elimination of the effect of the interviewer. But, even when anonymous questionnaires are used, the results may vary with the type of interviewer who hands them out. "The respondents perceive something about the interviewer immediately from his mere appearance or, interpret this for some reason in a certain way, and in turn alter their behavior" . . . from "Communications in Management," *by Charles E. Redfield.*

How A Large Or Small Business Can Set Up An Employee Development Program

by Milon Brown

One of the most important human relations areas which concerns modern management is how to develop a spirit of cooperation and a feeling of belonging in the employee. This is a detailed account of such a program, discussing completely, from the broadest management goals to ways to change an employee's attitude, the various factors that must be included in any company's employee development program in order to make it succeed

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One of the outstanding phenomena of the American economy has been the unprecedented growth in the size of business, industrial, and governmental organizations. Among the many major problems high-lighted by these expansions, none has more influence upon the efficiency of operations than the degree of effectiveness with which employees work. In most cases money expended for salaries and wages constitutes by far the largest part of the cost of the ultimate products or services. Management, then, is constantly faced with the search for ways to secure more return for the payroll dollar.

Current literature is replete with cases, suggestions, methods that have been used with some success in certain situations. Alert executives and their staff advisers are often tempted to utilize what has worked for the other fellow without sufficient analysis to be certain that it will be equally successful in their own different situation. Many such programs have been started with high hopes, only to see them falter and fail to produce the anticipated results.

Although it is apparent that there can be no blueprint for increasing employee competence, there appear to be a general pattern of approach which can be applied in any organized activity to improve the quality of management by increasing the competence of those who manage. What follows is an attempt to set forth such an approach which could be adapted to any enterprise, large or small, government or private.

By definition each such enterprise is organized to accomplish certain definite purposes: there must be a reason for forming the organization. To attain these goals, plans have to be made to set up subsidiary elements, each of which in turn has more narrowly defined purposes. And, depending upon size and complexity of the undertaking, still smaller segments are created, with succeedingly more limited aims down to the ultimate work groups and the task assignments of individual employees.

Thus the management of big business or big government has many goals, all of which must be coordinated and all of which must contribute efficiently to the over-all purpose. Typically, thousands of persons are involved at all levels of responsibility, each with an unique personality, and, frequently, situated at different geographical locations. The mere maintenance of such a work force poses difficult problems: the necessity of constantly increasing its effectiveness presents an additional challenge. From a management point of view, then, one of the broad goals is the more effective operation of each organizational segment. It follows that management must know of every circumstance that is interfering with operations and take intelligent action to increase efficiency in every possible way.

Although there are many diverse but related goals, each one must be reasonably well attained if the total mission is to be accomplished. Doing this is the job of management. Regardless of whether management functions are being considered by operating officials or staff members, in the broad sense both are concerned with practical ways of being certain that goals are being met efficiently. A way to accomplish this without becoming involved in complicated and technical procedures is suggested below.

Basically this step consists of the identification and analysis of problem areas which affect the accomplishment of these management purposes. It must start with an assurance that executives, officials and workers understand clearly

what is expected of them. Nor can such understanding be assumed. The head of each organizational segment must make certain by individual conferences with each person working under his direction, that there is complete agreement between them on such matters as (1) duties and responsibilities of the subordinate; (2) nature, scope and extent of delegation of authorities; (3) performance requirements and standards (both group and individual); (4) relationship of subordinate work goals to broader objectives; (5) patterns of communication upward and downward.

Such an inquiry would normally start at the top of an organization and flow naturally downward as each official consults with his subordinates for information to complete the full understanding necessary with his chief. And the purpose of this phase is just that—full understanding. To achieve it requires honesty, frankness and mutual respect. Any hint of placing blame or even passing judgment on the subordinate's performance will encourage self-justification and prevent a complete meeting of minds. Here, then, is the opportunity to clear up misunderstandings and arrive at a mutual agreement of what is expected of the subordinate and of his organizational segment. Only when such agreement has been reached, is it possible to start the second phase—an objective inquiry as to how well the assignments are being carried out.

Are Costs Too High For Results Obtained?

At this point we are questioning the efficiency of the operations—whether costs are too high in relation to the results obtained. Here lie the basic problems faced by every administrative head and every operating official. When work costs, overhead and losses are low, management is comparatively free from harassing difficulties. Unfortunately such conditions seldom obtain throughout any major organizational segment at any one time; furthermore, work situations change so frequently that continuous analysis is necessary to identify current or potential problem areas. Good management would require that all operating officials be alert to every situation involving an increase in the costs of work under their direction. Pertinent information can be secured from many sources, including: (1) Personal observation (2) Interpretation of work and cost data (3) Analysis of survey and inspection reports (4) Questioning of subordinates (5) Group conferences on potential problem areas (6) Use of special staff assistance.

Analyses Must Be Done On All Levels

Such analyses do occur from time to time in every establishment. It is important that they be carried on at every level of each segment of the organization, from the top down, on a continuing basis. For this reason it is proposed that all executives be encouraged to form a habit of constant inquiry into the efficiency of operations for which they are responsible. By starting with the top level officials in each segment the analysis can proceed logically through natural requests for information to all succeeding lower levels. The example set at the top will serve as effective motivation and communication in both directions will be facilitated.

Once a problem area has been identified as a source of present or future difficulty, the next logical step is to determine what is the cause of the trouble. During the analysis of the situation, hints will have appeared as to possible causes. These should be noted for future consideration. A full explanation of all possible factors causing the loss of efficiency is called for.

Getting at the roots of trouble is seldom a one man job. Usually time will be saved and better answers obtained, by utilizing the joint efforts of all persons concerned. Well-planned and well-conducted conferences on specific management problems have proved to be very effective in determining causes. Group action encourages a sense of participation and a willingness to accept conclusions. Poorly planned conferences, on the other hand, are certain to waste time and accomplish little. Studies and investigations over the years have recognized an almost limitless list of possible sources of inefficiency, for example: (1) Wrong organizational structure, (2) Inadequate labor market, (3) Employee Absenteeism, (4) Ineffective working methods, (5) Poor tools, (6) Lack of sufficient job skills, (7) Improper supervision.

These are merely indicative of many more possible causes of trouble. What is necessary is to isolate the specific factors that are resulting in high operating costs, heavy overhead expense or wastes in production. And these factors must be specific to each situation uncovered in the previous analysis.

Sometimes approval must be obtained to make the changes desired; or coordination with other units must be effected; or funds must be secured; or technical assistance is needed. Such situations usually necessitate presenting the proposal to someone else—someone who has not participated in the discussions and may know nothing about the plan. Here, again, the group should agree as to who makes the presentation, whether it will be oral or written, what supporting data or exhibits are necessary, when would be the most propitious time. After approval, coordination or assistance has been obtained, it is still necessary to take the action and check up on the results.

The immediate causes of operating problems, as described above, are often themselves considered to be problems. For example, high turnover of employees may be treated as the cause of losses and inefficiency; or it may be thought of and attacked as a problem by itself. Actually, each such immediate cause of trouble is, in turn, caused by something else. Taking action to correct an immediate cause will not necessarily prevent the trouble from occurring again. Preventive steps involve looking for the secondary causes.

As the chain of cause and effect is traced back to its source it becomes more and more apparent that, in the final analysis, the basic cause of all operating problems stems from a person. The troublesome situation would not have occurred if someone had thought and acted differently. At first glance, the breakdown of a machine tool appears to be wholly due to mechanical failure. Further consideration shows that the trouble could have been prevented if the designer had been more competent, the operator had followed instructions, the set-up man had reported the need for repair. In every instance operating problems stem from people and we must look to people to prevent them.

Intelligences Vary Alike In All Fields

There is no evidence that the people employed by business are any different basically from those working in industry or government. A few are outstanding, the great majority are about average in competence, and a small minority are

less than satisfactory in their work. But the significant point is that none of them are perfect. Even the most brilliant person will make mistakes from time to time (1) in planning (2) in making decisions (3) in taking action (4) in failing to take action.

In this sense, errors are to be expected but their frequency and seriousness can be reduced by reducing the area of human fallibility.

As a rule all people are reluctant to change their patterns of life. Habits and attitudes tend to become fixed—both on and off the job. If, therefore, responsible officials are expected to improve the performance of their employees there must be a strong motivation to effect the desired change.

Possibly the strongest incentive that can be provided is the creation of an atmosphere throughout the organization —a feeling on the part of all employees that development of competence is part of everyone's job—an attitude of concern as to the growth of subordinates—a climate in which such growth is facilitated. In such a situation, officials tend to have an active interest in the development of others as well as themselves.

Top Management Sets The Over-all Tone

Starting at the Top. What happens in any organizational unit depends to a large degree on the people at the top, those who determine policy and make decisions, set the tone of the entire operation. Because of their immediate and constant interest in the efficiency of the unit, these officials are extremely sensitive to situations that may result in problems. Much of their time is spent in analysis of these situations. They tend to accept readily suggestions that may reduce costs and losses. They are receptive to ideas that will help them to identify problem areas, correct them and prevent their recurrence.

By enlisting the interest, cooperation and active support of top management, a powerful incentive is provided to lower levels. Not only do subordinates become naturally involved in the planning of their chief, but his example in probing for correction of trouble spots is likely to be followed.

Providing encouragement and assistance to subordinates. Beyond setting a good example, every official has a definite responsibility to help the people who report to him. This is inherent in the job of supervision even though it may not always be recognized. A leader who fails to develop his employees, abrogates to this extent his right to leadership.

Before effective assistance is possible, the chief must know his people. He must actually get acquainted with them as persons—their interests, hopes and aspirations—their capacities, talents, potentials—what factors are hampering their growth. Unless some degree of understanding is reached in these areas, there is little basis on which a leader can help his employees.

Small Praise Often Gets Large Results

Encouragement of one's subordinate to develop is often a very simple thing. An expression of interest in what he wants to do, a word of commendation, a suggestion of a way to improve—these actions do not take much time but they pay large dividends in response. The superior supervisor does not stop here. His interest leads him to provide such aid as is feasible to increase employee development. It may be merely a suggestion to talk with another employee or read a pertinent article, it could be assignment to a special task or a job training course, it might be help in enrolling for formal education. Again the returns in job efficiency are far greater than the efforts invested by the supervisor.

Permitting Subordinates to Participate in Planning. One of the most effective ways to create an atmosphere for growth is to provide opportunities for people to have a part in planning. In a democratic society, those who will be affected by a management decision should have some reasonable part in arriving at that decision. When problems arise or impend, it is common practice to call together those concerned for a discussion of the most feasible solution. This accomplishes two results. First, a broader array of facts and a wider scope of experience are available upon which to base judgment. Secondly, the participants are given recognition as important parts of the management group whose individual contributions are desired. Personal differences are resolved, mutual respect engendered and a spirit of constructive teamwork developed.

The improvement of attitudes and work habits requires more than wishful thinking. Means must be provided by which people can expand their usefulness. As fast as the climate of mutual desire for growth is established, ways must be devised to foster development. Some of the broad areas which need attention in most organizations are: (1) Development of executives (2) Training of supervisors (3) Job skills training (4) Orientation of new employees.

The methods selected by management in each of these areas may vary: the essential point is that some practical method be available. A considerable amount of guidance materials has been made available to management officials and their staff assistants in these directions. In general they utilize such common techniques as: (1) Self-development (2) Special assignments (3) Coaching on the job (4) Formal Training (5) Participation in conferences, work meetings, trade or professional associations.

What has been suggested above is a non-technical approach to increase the efficiency of operations. It does not imply the imposition of a "program" from above. It encourages management to do better the things they normally do anyway. It is more a change of emphasis than an innovation.

In spite of the inherent simplicity of this approach, management will want to know to what degree results are being obtained. Over the long pull it may be enough to know that costs of operation are consistently lower. On a basis of day to day operations, however, it becomes necessary to inquire how effective the corrective and preventive actions have been. Ordinarily this does not require either forms or formulas. In an atmosphere where all are seeking a smoother operation, evidences of success or failure should be readily apparent. This is particularly true of actions taken to remove the immediate causes of trouble. The answer lies in whether the problem has in fact been solved satisfactorily.

It Is Hard Actually To Evaluate Competence

It is more difficult to evaluate actions taken to improve the competence of people, particularly on a short range basis. As has been noted, people change slowly and with reluctance. If, however, each action has been planned to accomplish a definite purpose, it is usually rather apparent whether the goal was reached. An employee development activity can

be judged as to whether it is accomplishing its purpose satisfactorily, what immediate effect it is having on the employees, and how it is influencing the work.

Seldom do such appraisals result in evidences of complete failure. More common are situations where the results are not wholly satisfactory. Because human beings are involved, at times things may go differently than was expected. Such situations call for a reevaluation of the situation to determine the new problem area, take corrective action and see to it that the same trouble does not happen again. In this manner the cycle of analysis, action and appraisal of results continues to repeat itself as long as operating problems remain.

If it is good management to try to prevent operating difficulties by improving the competence of the people who cause them, the responsibility for employee development should be fixed. It is easy to say that each official should be responsible for the growth of his subordinates. Certainly such an attitude is desirable. But everybody's job frequently becomes nobody's job and sound judgment would dictate a more specific placing of the function.

It is generally agreed that each official has primary responsibility for seeing that each of the persons under his immediate supervision knows exactly what he is supposed to do, knows thoroughly how he is to do it, and is willing to make the necessary effort.

Only to the extent that all three of these conditions are obtained, will the mission of the unit be accomplished.

First Level Supervisor Feels Responsibility

Basically this responsibility falls heavily on the first level supervisor at the work site. His chief, in turn, must check on the job competence of the unit as a whole and on the accomplishments of each supervisor who reports to him. In a similar way, responsibility for assuring satisfactory management know-how rests upon each higher level culminating in the overall responsibility of the top administrative officer.

Operating officials are normally very busy persons. They are under heavy pressures and are confronted with many problems, each requiring full attention. To assist them in securing a full measure of competence in their subordinates, staff services are provided. The members of the personnel office are vitally concerned in preventing operating problems through employee development. They can assist materially in identifying the causes of difficulties, in suggesting ways to prevent recurrence, in organizing appropriate training programs, and in evaluating results. It is important that fully competent training and development services be available for use by operating officials.

Reducing Causes of Management Problems

In reducing the causes of management problems through employee development, a few basic principles have been widely accepted.

Employee development is not a matter of choice. Employees do not work solely for their employer or for themselves. In a sense they may be described as "public servants." What they do—or do not do—on the job is of concern to every other citizen who buys the product or service they produce. The more quickly an employee is adjusted to his assignment, the more efficiently he performs his duties, the less costly the operation becomes to the public as well as to the employer. Thus in private enterprise as in government, there has become recognized a definite responsibility to improve the competence of employees. Furthermore, it should be kept in mind that employees learn whether we do anything about it or not. They may learn the right or the wrong way—well or poorly. Sound management takes steps to see that the learning is effective and in the desired direction.

Employee development must be geared to need. In any sound enterprise, each expenditure must be fully justified. The development of employees takes time and effort that could profitably be devoted to other purposes. It is essential, therefore, that each training or development activity be planned and conducted to meet a clearly defined need.

The process of analysis that was described above attempts to point out immediate causes of trouble and then proceeds to highlight the basic causes that reside in people. By this method, management is able to identify organizational segments, functional areas, groups and individuals who need assistance. As needs for action to improve efficiency are uncovered, direct and effective actions can be taken to improve the competence of employees at all levels. At the same time, the danger of giving unnecessary or ineffective training is minimized.

Employee development requires constant attention. Although all activities to develop the competence of employees must be based solidly upon specific needs, the total effort is not thereby a series of isolated unrelated sporadic events. Long range planning and coordination is necessary for effective results. The turnover of employees causes expensive replacements and reassignments every month. Frequent changes of product or work methods result from the ever varying technological advancements. Thus change itself becomes a constant factor in many operations and multiplies management problems together with the need for developing members of the work force.

To meet these situations, every echelon of the organization must be prepared with well constructed plans, adequate facilities and competent staff assistance.

There is no pat formula to secure attitude change. Many of the suggestions made above are aimed at creating a new sense of values or a different objective. Probably the greatest force in securing a constructive climate is the example set by the top level of management. What the leaders do is far more significant in affecting the feelings of the work force, than what they say: practices usually tell more than policies. The creation of a dynamic climate for employee progress may take time, but it is well worth while.

Efficiency of Work Force Is Management Goal

The mission of any large enterprise can be carried on successfully only by the use of large numbers of employees. The efficiency of these operations in relation to the money and time expended depend to a major degree upon the effectiveness of this work force. Action to determine how to increase the effectiveness of these employees should start at the top of the organizational segment. By thorough continuous analysis of work problems and their causes, management can determine what actions are feasible to improve the competence of employees. In so doing, the immediate causes of trouble are corrected and future problems prevented. The final result is increased work efficiency through increased worker performance. END

Productivity: An Economic and Social Challenge to American Industrial Leadership

by Leo Teplow

American managers have long been used to thinking that America's leadership in productivity is not only substantial but more or less permanent. This attitude, according to the author, is unrealistic and dangerous. The author makes a penetrating analysis of the various factors, real and imagined, which underly the traditional pre-eminence of American production. He describes the immediate threats to our position of leadership, and tells what can be done to overcome them. The solution to our productivity problems, he says, lies not in techniques alone, but rather in the development of a sound economic and social policy

WHEN we speak of productivity as a challenge to management, we ought to make it clear that we are talking about more than one kind of challenge. It is not enough to talk about units per man-hour or units per dollar; we must also consider the social impact of increased productivity if we are to see the productivity picture in focus. So let us consider not only the economic challenge but the social challenge as well when we explore this problem of productivity.

We are all proud of the high records set by American production and American productivity. In fact, we are likely to boast a little about our even-climbing productivity. We take it for granted that we are and always shall be leaders in this field.

As the originators of mass production, assembly lines, ingenious machines and processes, we are likely to act a little superior when we entertain visiting teams from all over the world who come to learn about the source of our high rate of productivity.

It may be an unpopular avenue of thought, but I believe it is time we realize that our productivity lead is much smaller than we usually assume it to be. Nor is there any guarantee that we shall remain in the lead.

How does it happen that Russian MIG-15's have made real trouble for our best jets in Korea? How does it happen that these same MIG-15's are apparently able to fly rings around our planes in West Germany? How does it happen that the Russian Navy is reputed to have exceeded that of Great Britain and is now second only to our own? Considering the backward Russian economy of 40 or even of 30 years ago, the low level of industrial development of that period, doesn't this military and naval output indicate tremendous strides?

We can not afford to be complacent about our industrial or production leadership.

Productivity Factors Must Be Understood

To insure continuation of our leadership in increased productivity, we must understand the major factors underlying it. If you were asked to name the most important causes of our high productivity, you might say: our mechanical ingenuity; our readiness to cooperate; our tremendous research facilities; or our patent system.

All these have a part to play, but underlying all of them and basic to our entire productive system is one overwhelming fact: *competition.*

- Companies devote large sums to research and development largely because they are trying to get the jump on competitors in their attempt to obtain a larger share of the market.
- Competition forces companies into an active search to find or develop better products, improved processes, or new services and thereby greatly shortens the lag between the discovery of new products, machines or processes and their adoption in actual practice. Shortening the lag between conception and actual application is an important factor in increasing productivity.
- When a company, having developed a new product, wonders whether it should invest stockholder funds in new equipment and probably have to write off useful existing equipment, it is often the hot breath of competition on the back of their necks that forces top management to take the risk.
- Competition provides thousands of decision-making centers that move much more rapidly and flexibly than could any monolithic governmental or other monopolistic agency: and when one competitor plunges into a new product

or process, others cling to the old at the peril of their economic lives.

If we would retain our lead, therefore, we must preserve and strengthen our competitive system as the first essential. That system has been dealt some damaging blows. It is our responsibility —all of us—to insure that competition rather than Big Government shall be the dominant economic force.

That means not only cutting the federal government and its demands down to size but it means sound fiscal measures, the achievement of a balanced budget and the determination of appropriate interest rates.

Above all, it means a minimum of government controls, whether these relate to materials, prices, or wages; for government controls are the nemesis of competitive health.

Since increased productivity comes not from more intense human effort but from mechanization, improved machines, materials, processes and organization, one of the basic economic prerequisites for continued productivity growth is the availability of investment funds. Seed money, the mainspring of our dynamic growth, has been discouraged by confiscatory taxation, and its effectiveness has been reduced by a consciously inflationary policy on the part of our government. Both rate of taxation and inflation must be controlled if we are to realize our potential growth in productivity.

If increased productivity results primarily from improved machines and processes, we might be tempted to say that it's machines and engineering we ought to be concentrating on: concern about human relations is just a waste of time. I'm afraid some companies are operating on that basis.

Managements Prime Task: Coordinating Production

Such companies forget that co-ordination is management's primary responsibility. Co-ordination requires not only a flow of materials, machines and money, but also men who must obtain, store, move, and feed the materials at the proper time, invest the money wisely and operate the machines. What is more important, the men involved must cooperate with each other, or the entire operation becomes confusion.

It has been estimated that, overall, our productivity could be increased by 20% if the employees of American business had a better attitude toward their work, their employer and toward each other. That estimate is probably on the low side. In any event, American management would be justified in directing a lot of effort—and expense—where a 20% increase in output is at stake. Concern about human relations in American industry is vital. It is good economics as well as good social policy.

America's Great Lead Is In Human Relations

It is in human relations that we have a natural and continuing advantage over practically every other country on earth. That is due to two things: social structure and understanding.

Time after time, foreign teams that have come to this country to learn about our productivity, have remarked on the surprising friendliness they have found to exist here between management and men. The terms "cordiality," "mutual respect," "cooperation," "friendliness," recur again and again in their comments about employer-employee relations.

The other outstanding and unique characteristic of American employer-employee relations is understanding. Because of the absence of classes and class conflict, we are likely to say what we think and to consider the other fellow's remarks on the merits. That means that our communications with each other lead to mutual enlightenment rather than obfuscation.

Devotion to better human relations in our plants is a prime objective on the road to higher productivity.

The term *Personnel Administration* or *Industrial Relations* brings to mind aptitude tests, psychological tests, interview techniques, employment forms, orientation programs, safety training, merit rating, job rating, wage and salary evaluation, wage surveys, employee attitude surveys, collective bargaining techniques, and all the other praiseworthy techniques that have been developed and applied over the years.

That's what's wrong with them: they're *techniques*. Industrial relations directors and industrial relations personnel are considered to be a bunch of technicians who do not grasp or understand the broader problems and programs that require the attention of major company executives.

Personnel administration techniques must be mastered and applied, to be sure. They should be used like any other tool where they can be applied effectively. However, they should be used with understanding of their limited contribution, and can not possibly be considered a substitute for a fundamental employee relations philosophy that ought to pervade every level of management in every organization.

The Industrial Relations Director must be a man of such broad interests and background that he can demonstrate to each major executive how and why improved employee relations contribute to the successful discharge of that executive's particular responsibility, whether that executive be the treasurer, purchasing agent, sales manager or the plant manager. That means that he must be able to put himself in the place of each executive and know what that executive is trying to accomplish, and how. He must see to it that the Annual Report carries a balance sheet of employee relations as well as finances. He should be able to sell the Board of Directors on the significance to the stockholders of the overall employee relations program. That is no job for a technician.

If we look at employee relations from the viewpoint of philosophical search rather than the application of techniques, it is amazing how entirely different lines of inquiry, from the famous Hawthorne experiments to modern group dynamics research, lead to the same conclusion. That conclusion is that the most promising approach to improved employee relations lies in the development of a sense of participation. Participation has magic properties.

Philosophy, Not Technique Makes Participation Work

Thousands of employers have found many different ways of achieving employee participation in their work relationship. Some have resorted to profit-sharing, others have found it in multiple management, still others in group incentives, suggestion systems or study conferences. The important thing is not the technique but the underlying philosophy. Once the philosophy is understood and adopted, a thousand different ways of expressing it can be found. It can be extended to every element of the employment relationship, from the publication of the employee magazine to the arrangement of tools on the production line. How many times you may find that what appears to be a less efficient arrangement of tools or machines may actually result in higher output because the employees know they have been consulted and, therefore, have some responsibility for the result.

The philosophy of employee participation can lead not only to higher productivity but to better citizenship as

well. For, the employee who has experienced the satisfaction of participating in his work-connected problems is also likely to seek the reward of participation in civic responsibilities as well. And good citizenship is basic to the preservation and strengthening of a free economy.

One Philosophy Ties Wages to Productivity

There is a philosophy which holds that if an employee produces more, regardless of the cause, he should be paid a higher hourly wage. This philosophy is at the root of a fantastic arbitration decision issued recently which awarded 1,250,000 railroad employees a wage increase of 4¢ per hour, retroactive to December 1st. The absurdity of discussing productivity in the featherbed-ridden railroad industry does not seem to have occurred to the arbitrator in the case.

Productivity is the new gimmick of those who have tried for years to sell the public that they can get something for nothing. Productivity is the catchword used to cast a cloak of respectability about the something-for-nothing philosophy.

When Walter Reuther proposed a grandiloquent program of 100 billion dollars for foreign aid in backward areas, he explained it wasn't going to cost anybody anything: it was to come out of future productivity increases. Whenever a visionary proposes a huge new spending program, it is with the explanation that it requires no sacrifice —we'll just take it out of future productivity increases.

The American Federation of Labor has recently announced that wages have not kept pace with the recent tremendous increases in productivity. According to the A. F. of L.: "If workers are to maintain their position in the economy in relation to other groups, their wages must keep pace with productivity."

This is an ingenious claim for higher wages, but entirely devoid of merit as a consideration of the following factors will demonstrate:

1. So far as wage determination is concerned, there is no basis for relating productivity to man-hours. It is not worker effort but improved tools and processes that result in higher productivity. Those who have contributed the capital which resulted in increased productivity would seem to have a more equitable claim to the larger resultant product.

2. It is almost impossible to measure productivity at the national level since there is no common unit of production applicable to all industries. It is difficult to relate an increase in locomotive output to an increase in hairpin production. There is little agreement among the authorities as to the rate of past productivity increase, with estimates ranging from an annual rate of 1.6 per cent to 2.5 per cent. Certainly, there can be no reliable forecast as to the future.

3. The benefits of higher productivity should be divided among all of the people—and have historically been divided that way—rather than funnelled off into higher wage payments.

4. In measuring the share of national product going to employees, we must consider not only the hourly wage but all the fringe benefits and supplemental labor costs such as social security contributions, health, welfare and pension costs, shift differentials, vacation pay, holiday pay, etc. It is unrealistic to consider the hourly pay alone, particularly when the supplemental labor costs loom ever larger in relation to wage rates.

5. The gains of productivity can be most equitably distributed through lower prices, so that all can benefit from them.

Employees Proceeds Share is Constant for Twenty Years

6. Most compelling of all is the provable fact that the share of total national business proceeds that goes to employees, hourly and salaried, has remained almost absolutely constant over a period of over 20 years; through war and peace, through prosperity and depression. That means that whatever increases in productivity have taken place, labor has shared in them.

The statistics on employee compensation as a share of total business proceeds make very interesting reading.[1] These figures, based on official Department of Commerce published data, demonstrate that the percentage of business proceeds which has been paid out as compensation to employees, both hourly and salaried, has between 1929 and 1951, never departed from the range of 45.6 per cent minimum and 50.8 per cent maximum. In all but a few of those years, the ratio of employee compensation to total business proceeds was between 47 per cent and 50 per cent.

This proportion was maintained through the first three quarters of 1952, when the corresponding percentages were 49.5, 49.5 and 49.9 per cent.[2]

These figures show an amazingly constant relationship in an economy buffeted by a major depression, a world war, a boom period and the Korean War, through periods of free markets and of government controls, through periods of high unionization and low. It seems to be the one constant in an inconstant world.

Free, Dynamic Business Will Ensure a Fair Share

What is more important, these figures prove that it is not necessary to tie wages to productivity in order to assure employees of a fair share of the proceeds of business, for employees get their constant share through the free, dynamic operation of our economy, including the operation of collective bargaining.

The conclusion is inescapable that tying wages to an assumed national rate of productivity is not the best way to distribute the benefits of increased productivity. Nor is it good wage policy.

Productivity *is* a challenge to management: an economic challenge and a social challenge. It will meet you in the marketplace and at the bargaining table. Management must know and understand what it is. And the solution lies not in techniques alone—whether they be industrial engineering techniques or industrial relations techniques—but rather in economic and social philosophy and policy. **END**

1. "Productivity—Gauge of Economic Performance", National Association of Manufacturers, New York, September 1952.

2. "Labor's Share in the Proceeds of Production", National Association of Manufacturers, New York, February 1953.

The increase in the productivity of human effort is, of course, due to many causes besides the increase in the personal dexterity of the man. It is due to the discovery of steam and electricity, to the introduction of machinery, to inventions, great and small, and to the progress in science and education. But from whatever cause this increase in productivity has come, is is to the greater productivity of each individual that the whole country owes its greater prosperity. . . . from *The Principles of Scientific Management, by F. W. Taylor.*

Milwaukee Chapter Gives You Be The Boss Contest; Story of a Successful Chapter Activity

by Frances U. Vass

This article is the first of two articles on one of the past year's most interesting and successful local SAM Chapter activities. Here is the inside story of how a Chapter contest was set up, managed, and finally presented to a state-wide public. The author describes all factors that had to be considered, from the collection of physical materials, through arrangement of actual presentation, to all the financial handling of the contest blanks themselves. She tells how and why the contest succeeded, completing the details by revealing what the Chapter learned which would make another approach to the same type of program result in more efficient management

In their Wisconsin At Work building at the 1953 Wisconsin State Fair, the Wisconsin Manufacturers' Association wished to have an exhibit and contest which would attract production employee attendance, and asked the Milwaukee Chapter of the Society for Advancement of Management to assist in its development. In discussion of this invitation, a committee of officers and directors of Milwaukee Chapter concluded that, while they did not care to work up an exhibit with attendance as its primary purpose, they would be interested in a project in which the following objectives could be attained:

1. Develop worker appreciation of management problems.
2. Promote a better understanding of the economics of business, especially costs, productivity, profits, dividends.
3. Obtain some insight into the thinking, attitudes, and prejudices of a cross-section of the population on typical management and economic problems.

This committee chose the idea of an exhibit for the Fair which would consist of an old-fashioned method of producing wheelbarrows. The product was selected because it is familiar to everyone, is simple to make from common materials, was produced long ago by interesting methods very different from those used now. A contest, giving employees of industry prizes for suggesting ways to modernize this outmoded production line, would require the contestants to think about the economic problems of a growing business: methods, materials, people, safety, productivity, costs, sales, profits, dividends.

When this was presented to a special meeting of the board of directors late in May, they liked the idea so much that they decided to cooperate with WMA, even though there were only twelve weeks in which to complete so large an undertaking, and vacations might be a complicating factor. The discussion brought out that this should be a practical rather than an academic approach to economic education, a chance for employees of industry to put themselves in the boss's shoes and see what they could do with his job. The board recognized that they could hardly exhaust the possibilities in this first venture, but might evolve a formula for further development of this kind of economic education in succeeding years.

Preliminary analysis outlined five major tasks:

1. Set up a live exhibit consisting of the outmoded production line.
2. Run the contest for modernizing it.
3. Secure prizes which would attract employees of industry.
4. Give the project as wide publicity as possible.
5. Finance the exhibit and contest.

Committees were set up under a general chairman and a policy committee to hold them to the objectives and to define policies acceptable to the cooperating societies. Weekly meetings included representatives of all committees. A number of individuals who were not connected with either SAM or WMA were drawn into the project as it went along, to help with special phases, and the Chapter appreciates the invaluable service they gave so freely. Enthusiasm ran high, and some of us laughingly agreed before it was over that we had risked our happy homes and jobs by spending so much time on the project. A lot of us got a real workout in our overalls.

In connection with the exhibit, the committee delved into old engineering

records of a wheelbarrow manufacturer. Finding no blueprints, men long in the business helped redesign a wheelbarrow such as was made at the turn of the century. Committeemen ransacked junk yards, company attics, and museums, to borrow or buy the equipment used in the '90's or before, and came up with a good assortment. A number of old timers in the Milwaukee area, who had served their apprenticeships on such equipment, were ideal operators and required a minimum of training. They took a great deal of pleasure and pride in setting up the line. Working at the Fair, they put on an excellent show. The layout had to be modified to let the public see, and to reduce the chances of accidents without using obviously modern equipment. Physical examinations and insurance were necessary. Gas lights and red checked table cloths in the adjoining lunch room added to the atmosphere.

For the contest itself, the original ideas were to modernize the old line, to weigh the entries according to the occupation of the contestant (giving more credit to a janitor, for instance, than to a methods man for the same answer), and to sell the blanks to employers for distribution to their employees. This approach was modified considerably. The people the Chapter wanted especially to reach were not technically trained nor were they writers. To make the questions fair, so that winning would depend upon basic business knowledge and good judgment, to comply with the state lottery law, and to gain as wide participation as possible, the committee kept the idea of a wheelbarrow manufacturing business, but framed the questions so that it was not necessary to see the exhibit. They covered a variety of facets of management. They could not assume that the contestants would not have outside help. We wanted to encourage discussion to stimulate learning more about the problems and their proper solutions. We were interested in what a contestant knew, hoping it would be more when he finished than when he started.

Finally, the entry blank consisted of six problems that the boss frequently has to solve to keep his business in the black, and two problems in which the investor is interested before deciding whether to buy stock in the company. These eight problems each had a number of solutions suggested, and the contestant was to check what he considered the best answer or combination of answers under each problem. Such a multiple-choice form should be elaborate enough to make it improbable that winning would be purely by chance or that there would be duplicate winners. On the other hand, limited command of language and penmanship should not be a serious handicap.

The results justified this plan. No returns were immediately disqualified, as they might have been if essay answers were required. All entries were suitable for screening. This was done by a specially selected committee using mats based upon the answers which the three judges had agreed upon among themselves as the best combination of answers for each problem. The best 300 entries were turned over to the judges for their personal consideration. They were three Chicago men highly respected in business and educational circles. No one connected with the Milwaukee Chapter of SAM or WMA had anything to do with the determination of acceptable answers. The decisions of the judges were final. An analysis of the entries will appear in the following article.

The publicity people had to supply information for the local and state papers, national magazines, house organs, WMA news bulletins, and finally resorted to a full page ad in each of the two principal Milwaukee newspapers. Posters were prepared for use on company bulletin boards.

The prize committeemen compiled a list of firms in the state from whom they solicited prizes by telephone. Response was good. The prizes were displayed at the Fair, alongside the exhibit of the old fashioned production line, with public relations committeemen there to answer questions and to encourage participation in the contest. After the Fair, the prizes had to be packed up and delivered to the winners, who were scattered all over the state. Awarding prizes called for delicate handling in many cases.

The original idea of financing was to sell entry blanks to manufacturers for distribution to their employees, but this plan was modified, because financing had to get under way before the blanks could be designed. The committee divided the membership of the WMA into five groups according to their number of employees. Based on the probable amount needed to finance the project, an amount per firm was assigned to each group. Letters were sent to presidents of the firms. The committee found the shortness of time and the fact that vacations intervened made it hard to get contributions approved. It was difficult to coordinate this solicitation with the publicity. Yet in this project of the Milwaukee Chapter practically the whole membership participated. Even the wives of many members took an active part at the Fair.

The interdependence of the parts was much greater than anticipated. Shortness of time made it hard to do things in the right order. If we had it to do again, we would want to have the exhibit and the contest fully planned before the need for publicity arose. This would make it easier to give out reliable information in sufficient quantity and far enough ahead of deadlines. The finance program could be properly coordinated with the prize procurement and the publicity. This should make for better understanding and support by industry, more complete participation by employees, and better public relations.

Herewith are printed the Contest Rules, followed by the exact copy of the Entry Blank, and finally the identification stub which was a part of each entry blank itself.

CONTEST RULES

1. The Society for Advancement of Management Production Economics contest is open to all persons over 16 years of age except employees of the Wisconsin Manufacturers' Association, members of the Milwaukee, Fox River Valley, and Madison chapters of the Society for Advancement of Management, anyone directly associated with the contest or exhibit, and members of their families.
2. The contest begins on August 22, 1953. Entries may be deposited during the Fair at the Wisconsin-At-Work Building at the Wisconsin State Fair, or mailed to:
   Society for Advancement of Management,
   "You Be the Boss" Contest,
   3112 West Highland Boulevard,
   Milwaukee 8, Wisconsin
   Entries mailed must be postmarked not later than September 8, 1953.
3. Entries are to be made on official entry blanks. These may be obtained from your employer or from the Society for Advancement of Management at 3112 West Highland Boulevard, Milwaukee 8, Wisconsin.
4. All entries become the property of the Society for Advancement of Management and will not be acknowledged or returned.
5. Decisions of the judges on all matters pertaining to the contest will be final.

6. The contestant is required to select from a list of possible answers to each question those which he believes to be the best. The answers selected will form the basis for the decision of judges.
7. No contestant may submit more than one entry. Any exception to this rule will automatically disqualify the contestant.
8. The winners of the various prizes will be publicly announced.

THE CONTEST

A company manufactures wheelbarrows in competition with several other strong companies. It produces 30 wheelbarrows per day with 11 hourly paid employees and 10 machines. It pays wages equal to what is being paid to employees in similar industries in this area. Wages account for about one-half of its total operating costs. Last year it made a profit, after taxes of 2½¢ on each sales dollar.

Put yourself in the boss's chair and try to solve some of his problems. The most practical solution to each of these problems can be found in one or a combination of the answers. CHECK those you would consider the MOST practical by placing an "X" in the square to the left of the possible solution.

PROBLEM No. 1

Your employees demand that you grant a ten-cent-an-hour wage increase.

POSSIBLE SOLUTIONS

☐ 1. Put all of the production employees on a piecework basis.
☐ 2. Deny the request for an increase and instead buy all new equipment to build a better wheelbarrow.
☐ 3. Ask the government to act as a judge as to whether or not the increase should be granted.
☐ 4. Immediately grant the 10¢ increase.
☐ 5. Offer them 5¢ and promise them more next year.
☐ 6. Ask the employees if they wouldn't want a shorter workweek at their present rate of pay instead of more money.
☐ 7. Grant the increase and raise the price of the wheelbarrow.
☐ 8. Tell them that you can't afford it at this time.
☐ 9. Check with other industries and find out if your rates are in line with the area average.
☐ 10. Give them 5¢ and put the other 5¢ into new equipment, so that you can reduce the cost of your wheelbarrow.
☐ 11. Tell your employees exactly what your position is and why you can or cannot give them more money.
☐ 12. Explain your financial condition of last year and give them your opinion as to what the future holds for the company.
☐ 13. Tell your employees that if they give you more effort on the job you will give them the 10¢.
☐ 14. Find out how the 10¢ increase would affect your cost, selling price and profit.

PROBLEM No. 2

The demand for all wheelbarrows has suddenly dropped way off, and in addition, the price you are asking for your wheelbarrow is higher than your competitor's.

POSSIBLE SOLUTIONS

☐ 1. Take necessary action to improve your product to where it is equal to or better than your competitor's.
☐ 2. Increase inventories in order to sell to those who require quick delivery and thus get more than your normal share of market.
☐ 3. Reduce the number of employees in line with the number needed to meet the present demand.
☐ 4. Reduce the size of sales force and increase activity in sales education in an effort to get better results from those who remain.
☐ 5. Drop out of wheelbarrow business immediately in favor of some other product which is in greater demand.
☐ 6. Offset competitor's sales skill by increasing size of sales force.
☐ 7. Conduct complete inspection of all parts in stock or in process.
☐ 8. Purchase modern equipment, within means, which will permit lower operating costs and faster delivery.
☐ 9. Review and revise methods and procedures and thus reduce expense.
☐ 10. Purchase finest modern machines.
☐ 11. Hire the best methods man available at any price.
☐ 12. Put on high pressure sales campaign.

PROBLEM No. 3

The customers' demand for your wheelbarrow has become GREATER than your ability to produce them with your present equipment.

POSSIBLE SOLUTIONS

☐ 1. Do nothing but wait until the market for wheelbarrows falls off to the point where you are selling exactly what you can produce with your present equipment.
☐ 2. Increase your production by "farming out" the work you can't handle in your own plant.
☐ 3. Hire more employees and supervisors and add second and third shift.
☐ 4. Give all employees more money so that they will produce more.
☐ 5. Reduce the number of salesmen so that you won't sell more than you can make.
☐ 6. Raise your prices so that you make a bigger profit from selling the same number of wheelbarrows.
☐ 7. Purchase some new equipment so that you will be able to turn out more wheelbarrows with the same number of men.
☐ 8. Analyze each job in the plant in an effort to get more efficiency from the men and machines you now have.
☐ 9. Continue to take all orders for wheelbarrows but lengthen the delivery time.
☐ 10. Work all employees overtime at time-and-one-half, but don't raise the price of the wheelbarrow—take a smaller profit.
☐ 11. Bring in salesmen from out in the territory and have them confine their activities to a smaller area so that you don't continue to sell more than you can make.
☐ 12. Buy out the businesses of one or more of your competitors.

PROBLEM No. 4

Although you are selling all the wheelbarrows you can make, and your prices are about the same as your competitors, you find the company gradually taking less net profit.

POSSIBLE SOLUTIONS

☐ 1. Raise the selling price of your wheelbarrow.
☐ 2. Use cheaper materials in your product.
☐ 3. Ask the government to guarantee wheelbarrow manufacturers a fair profit.

- ☐ 4. Examine all the methods used in producing the wheelbarrow and see if they can't be performed more efficiently and economically.
- ☐ 5. Put on an intensified sales campaign.
- ☐ 6. Look around for another product your plant could make that would bring in additional sales without cutting into your wheelbarrow production.
- ☐ 7. Try to substitute less expensive materials for your present materials without affecting the quality of your product.

PROBLEM No. 5

Increased costs have resulted from increased accidents and injuries.

POSSIBLE SOLUTIONS

- ☐ 1. Investigate all workers to find out why they are careless.
- ☐ 2. Increase your insurance coverage.
- ☐ 3. Eliminate all hazardous conditions.
- ☐ 4. Investigate accidents to place blame.
- ☐ 5. Train your workers to stop taking chances.
- ☐ 6. Hire an industrial nurse and safety director.

PROBLEM No. 6

Taxes continue to take a lion's share of your company's income, and there does not seem to be any chance that they will be reduced. Something must be done to offset this lost income.

POSSIBLE SOLUTIONS

- ☐ 1. Limit your production.
- ☐ 2. Pay higher wages and let your costs increase.
- ☐ 3. Spend money to modernize your machinery and equipment.
- ☐ 4. Keep on trying to produce at the lowest cost possible with present equipment.
- ☐ 5. Reduce the price to your customers to gain a competitive advantage.
- ☐ 6. Allow your salesmen and executives more liberal expense accounts.
- ☐ 7. Increase production and not concern yourself about taxes except to pay them.
- ☐ 8. Pay your share of taxes but do what you can to make sure the tax money is wisely spent.
- ☐ 9. Pay more of your profit to stockholders and have less for taxes.
- ☐ 10. Hire cheaper and less efficient manpower.

PROBLEM No. 7

By increasing the investment in machines and equipment and by adding employees you are able to produce more wheelbarrows at a lower cost. This returns increased earnings to the company. How would you distribute these increased earnings?

POSSIBLE SOLUTIONS

- ☐ 1. Give some of the savings to the customer in the form of a lower price for the wheelbarrow.
- ☐ 2. Give some of the savings to the employees in the form of higher wages.
- ☐ 3. Give some of the savings to the stockholders in the form of increase in dividends.
- ☐ 4. Give all of the savings to the employee in the form of higher wages.
- ☐ 5. Give all of the savings to the public in the form of a lower price for the wheelbatrrow.
- ☐ 6. Retain part of the savings for re-investing within the company for further expansion.

Now step out of the boss's chair for just a minute and put yourself in the position of a stockholder who is interested in investing some of his savings.

PROBLEM No. A

Of the 2½¢ profit on each dollar of sales, how much should be returned to you as a stockholder?

- ☐ 10%
- ☐ 25%
- ☐ 50%
- ☐ 75%
- ☐ 100%
- ☐ None

PROBLEM No. B

How much return on each dollar of sales do you believe this company should make before you would consider investing a part of your savings in the company's stock?

Why? .....

.....

.....

.....

IMPORTANT!

If you plan to return your entry blank while attending the State Fair, fill out this stub, detach it from the entry blank and place stub and answers in boxes provided for each at the Wisconsin-At-Work Building.

If you prefer to mail your answers, fill out stub, but leave it attached to entry blank and mail **both** to:

Society for Advancement of Management
"You Be the Boss" Contest
3112 West Highland Boulevard
Milwaukee 8, Wis.

Name.....

Address.....

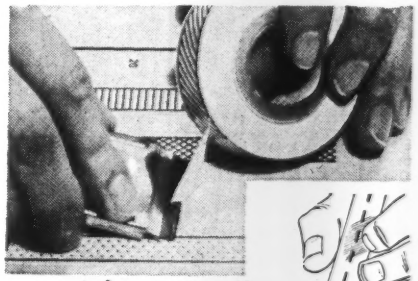
City..... Zone.....

Date of Birth.....

Occupation.....

Name of Company.....

This analysis of local chapter activity is the first in a series of two articles, the second of which will appear in a subsequent issue of AM.



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The Proper Approach and Solution to Wage Incentive Plan Problems

by W. C. Zinck

Wage incentive plans should not be used as a panacea, says this author. They should be carefully gauged to fit the conditions existing in the company in which they are to be used. How can this be done? The author tells several ways, listing clearly what an incentive plan should accomplish, when and how to set one up, and how it must be developed to contribute to the company's long-range wage policy

IT HAS been said that Frederick W. Taylor's chief concern was the effective use of manpower. His experiments laid the foundation for the timestudy approach to incentives.[1] This theme is still basic, as witness this recent statement, "The purpose of an incentive plan is to encourage the employee to more than normal production by the expenditure of more than normal skill, effort, or concentration."[2] Both the old and the new statements of the reason for incentives have been expressed and set in the proper background by "The Goal of Incentives," as stated by E. A. Cyrol.

"Before wage incentives can be said to be accepted by the worker group, management must convince the worker that there can be progressively higher real wages only if they are accompanied by progressively higher output through technological improvement and the worker's cooperation in the utilization of this improvement. Incentives are able to bring about this utilization best. However, if management and labor are not agreed at the outset on the goal of incentive wage payment and the means by which this goal can be attained, there can be no understanding in the administration of such a plan."[3]

Before a wage incentive plan is designed and installed, it is well to examine whether or not a wage incentive plan is the correct thing to be done at the time, and whether or not there is a proper foundation on which to build a wage incentive plan. As Sol Barkin writes: "If cost reduction is the major purpose, and it is the crucial interest in most installations, there are other alternative approaches for making the plant more productive and for increasing output without exhausting workers or requiring higher worker application. Certainly, attention to lighting, safety, humidity, temperature and maintenance of plants will tend to produce greater manhour output. High plant morale, good union relations, and a cooperative personnel enjoying economic security will automatically bring increased productivity. The best solution of these production problems, it is argued, is to tackle them directly. The last trick in a program of cost reduction is the wage incentive system. Naturally workers are skeptical when it becomes the first one."[4]

The direct opponents of wage incentives as well as those managements who are obtaining satisfactory results without wage incentives feel with Barkin that the reduction of the wastes of management will increase the utilization of manpower. Let management reduce wastes of poor equipment, poor planning, poor instruction, hurry and procrastination, and output-per-hour will go up. But first let us improve methods, standardize designs and equipment, train employees, develop supervision, and master techniques of control.

Which ties in with the philosophy behind the statement of Sol Barkin; "The worker expects a living wage not as a reward for additional effort, but as a normal by-product of employment."[5]

It is hardly conceivable that a company which has reduced the wastes of management to a minimum would develop a wage incentive plan for any other purpose than to increase production per manhour. Be that as it may, wage incentives have been designed and used for other purposes, knowingly or

1. Roberts, J. W., *Trends in Incentives for Production and Maintenance Employees*, ADVANCED MANAGEMENT, Jan. 1953.
2. ADVANCED MANAGEMENT, Jan. 1953, p. 49.
3. Cyrol, E. A., MILL AND FACTORY, Jan. 1946.
4. INDUSTRIAL AND LABOR RELATIONS REVIEW, July 1948.
5. *Ibid.*

unknowingly, with bad effects. A wage incentive has been used as " substitute for:

1. A sound base wage policy.
2. For rate adjustments.
3. An alert and able supervisory staff."

This statement of Philip Murray, late president of C. I. O., should be the basis of thinking when considering the method of payment in designing a wage incentive system; "Where morale is high and a good understanding exists between management and union members, almost any wage system can be made to work." Mr. Veysey expresses the same thought this way: "The desire of a man to work rapidly is heavily influenced by his feelings toward his job, his supervisor, and his company. Morale is not necessarily purchased with an incentive plan."[6]

In applying a technique which has proven successful elsewhere under different conditions, it is well to study why the technique has also failed elsewhere under different conditions. Mr. Bliss has stated that there are three basic flaws in unsuccessful wage incentive systems:

1. The incentives not predicated on a solid foundation and framework.
2. The incentives used as a multi-purpose tool rather than a single purpose tool.
3. The incentives violated sound financial incentive systems.[7]

Mr. Cyrol states that some incentive systems have failed because:

1. The basic requirements of a good incentive wage payment plan were not fulfilled.
2. The installation and maintenance of the plan were not placed in charge of a full fledged industrial engineer with sufficient well trained time study men.
3. The management did not know how to, or did not want to, live up to its part in installing and administering the plan.
4. The labor groups attitude was such that it prevented enthusiastic participation in the plan.[8]

"Eight Plans That Failed"

The article "Wage Incentives" in the May, 1950 issue of FACTORY MANAGEMENT and MAINTENANCE is opened by:

"*Eight Plans that Failed and Why*:

1. Loose Rates
2. Plan too complicated
3. Ceiling on earnings
4. Poor methods
5. Poor scheduling
6. Inadequate maintenance service
7. Inadequate premium scale
8. Wrong principle."

The method of wage payment is a proper item of collective bargaining. A wage incentive plan designed while the considered viewpoints of progressive unions are kept constantly in mind and to the front will be one with the greatest chance of initial acceptance, and the minimum of administrative difficulties. The viewpoints and philosophy of the union with respect to a wage incentive plan have been stated by Sol Barkin as:

1. They would like to be fully informed about the incentive plan before its application, and given the chance to make constructive suggestions.
2. They want a clear understanding as to the administrative policies that are to be followed, especially as they refer to changes in incentive rates as conditions are changed.
3. They would like grievance and arbitration procedure where the plan does not provide adequate incentive compensation, or where there is no incentive coverage.
4. During trial periods, lost time, changes in production, and off-standard work, they would like a guarantee of past average earnings.
5. They would like to have method changes, re-arrangement of work loads, or changes in crew size come as the result of mutual agreement.
6. In cases where an incentive program is terminated, or replaced by a new one, they would like protection of their earnings prior to such change.

Eight Factors of An Incentive System

There are several prerequisites that must exist in a company before a wage incentive system should ever be thought of. It could be said that unless these prerequisites do exist, thoughts of a wage incentive system to increase production per man-hour would not be born. The wage incentive system should be "the next logical step." Unfortunately, some systems are designed and installed as the first step. Recall Mr. Barkin's comment. The sound prerequisites are:

1. A working methods improvement program.
2. A sound base rate structure.
3. A competent and well trained standards department that enjoys the confidence of, and fully justifies the solid backing of all levels of management.
4. The broadest possible use of standard data in establishing production standards.
5. A full understanding between the foreman, all levels of management, and the standards department.
6. A spirit of confidence and fairness between management and the employees —a thorough agreement on the general principles of the wage policy.
7. A sound job evaluation system, with the hourly base rates of the incentive workers equal to the hourly base rates of day workers for like jobs.
8. A sound merit rating system to cover incentive workers if there is demonstrable differences other than output-per-hour between incentive workers on like jobs.

Design For A Wage Incentive Plan

The design of a wage incentive system is essentially a wage policy based on a solid foundation, and incorporating those factors needed to obtain full employee and union cooperation to obtain an end result of better plant morale along with increased production per man-hour. A good wage policy should cover these technical features:

1. A description of the incentive plan to be used.
2. A description of the time study methods to be used.
3. A description of the leveling to be used to bring the observed time to average performance.
4. A description of allowances to be made for personal needs, unavoidable delays, and fatigue, and an example of the calculations involved.
5. An explanation of standard data to be used and its origin.
6. An explanation of the method of calculating earnings.
7. A proclamation of rules governing transfers of employees to new jobs with different base rates.
8. A detailed explanation of the time-keeping procedures to be utilized.[9]

A good wage policy must guarantee:

1. That there will be no changes in base rates.
2. That there will be no ceilings on incentive earnings.

6. Veysey, V. V., *Will Wage Incentives Increase Production?*, ENGINEERING AND SCIENCE MONTHLY, Jan. 1944.
7. Bliss, P., *Incentives as a Manufacturing Tool*, MANUFACTURING SERIES, 204, A.M.A.
8. Cyrol, E. A., *How to Make an Incentive Plan Work Successfully*, MILL & FACTORY, Jan. 1946.
9. Cyrol, E. A., *Does Your Incentive Wage Payment Plan Measure Up?*, N.A.C.A. BULLETIN, June 1947.

3. That production standards which have been established will not be changed unless there is a change in the method of performing the job, and if changes in method are made, only that part of the standard affected by the change will be corrected.

A good wage policy meets these requirements in order to answer the unwritten questions in the employees' minds and thereby gain the employees' confidence:

1. The incentive worker must be able to earn enough above his guaranteed base rate to encourage him to perform at his full capacity.

2. The plan must be easy to understand and have simple timekeeping and payroll procedures. The average worker must be able to calculate his own earn-

3. Premium earnings should be calculated daily whenever possible, and posted daily for the incentive worker's information.

4. The premium earnings must be paid to the workers who earned them with as little lag and holdover as possible.

5. Any necessary adjustments to production standards, permanent or temporary, must be made by the time study man.

6. A suitable grievance machinery must be provided so that the employee who feels that a production standard is unfair will have the opportunity of having his complaint heard and given serious consideration.

7. A clear statement on quality: the desirable and economic degree of quality to be maintained, and how quality is tied in with premium earnings.

8. The wage policy must create the feeling within the employees concerned that it is fair, honest, and above board.

Six Points Must Be Considered

A good wage policy contains these features so that the wage incentive system can be and will be maintained at a high level of coverage, and to keep the system as written an actual statement of the system as operated:

1. A plain statement specifying when production quotas may be changed, and interpreted in a manner that recognizes the human inertia to change.

2. A plain statement specifying when a temporary standard may be established to meet unusual temporary conditions.

3. A method whereby the incentive workers are kept advised at all times of all changes in the wage incentive system.

4. A procedure whereby the standards department is advised of changes in methods by the production supervisor so that the new method may be studied and a new production standard set without unnecessary delay.

5. A procedure whereby the standards department is advised of a new operation by the production supervisor so that the production standard can be established.

6. Which is to say that the wage incentive system must be constantly policed and maintained in good working order.

What the Incentive Worker Must Know

A good wage policy on paper is a good wage policy in actual operation only when it is thoroughly understood and followed by all concerned. The standards department must see to it that the incentive worker and his union representative understand:

1. That the production standards have been established by simple, fair, and reasonable time study procedures.

2. Each step of the wage incentive system and how it is administered.

3. The production requirements or his job, and how he may meet the production standard.

4. How the production standard has been related to "normal" skill and effort, and thus earn bonus without physical injury, that injurious overexertion is not required to earn substantial bonus.

5. That cooperation and morale between supervisor and incentive worker should be high because each is dependent upon the other for premium wages. The worker must have the assistance of the foreman through encouragement, training, service, etc., and the foreman is dependent upon the operator's reaction to this service. Furthermore, each operator realizes that he is important enough to be a measured man rather than a clock number and he is rewarded in proportion to his effectiveness both in regards to premiums and advancements.[10]

It would seem on first thought that how an employee is paid for increased production per man-hour would be the vital part of a wage incentive system. However, that is not so—and every wage incentive system is proof thereof, because how extra effort is rewarded varies from system to system. Recall what Phil Murray said, which may be paraphrased as follows: the incentive worker cares little as to how he gets more effort as long as it justifies the effort, and the extra return is consistent with the extra effort.

As a result, the design of the how to reward depends upon the local conditions in the plant, upon the climate, the atmosphere, the morale. In the environment, the milieu, there is the constant union philosophy which has been expressed as: "To make programs which promote personal incentive acceptable to the organized union movement, they must be tailored and administered in a manner which will strengthen rather than weaken the feeling of group security."

There are three methods of wage payment in general use; measured day work, piece work with a guaranteed hourly rate and a 1-for-1 return to the employee, and piece work with a guaranteed hourly rate and a 1-for-a-fraction return to the employee.

As one writer puts it: "A well designed and properly administered measured day-work program contains many elements of incentives." The increased production-per-man-hour comes about by establishing an expected hourly production and seeing to it that it is obtained—the negative approach. Without the work measurement, and the daily calculations to determine the per cent attainment, the overall output-per-man would be less. With a quality factor and graduated guaranteed hourly rates upward for specific rates of production, a degree of the positive approach can be given to the measured day-work method.

How the Production Factors Work

Where the three factors of production other than the worker's effort can be standardized, condition of equipment, condition of material, and method of operation, so that guaranteed production standards can be set, the piece work plan with guaranteed hourly rates and a 1-for-1 return to the employee, is the wage payment method most effective. For each and every piece produced over and above the quota required for the guaranteed hourly wage, the incentive worker is paid a certain amount—effort rewarded with premium earnings in direct proportion.

Where two of the factors of production cannot be fully standardized, the

10. Veysey, V. V., *Selling the Incentive Plan to Workers*, FACTORY MANAGEMENT AND MAINTENANCE, Dec. 1946.

condition of the material and the method of operation so that the production standard must be a considered judgment as to the mean of the variables, the piece work plan with guaranteed hourly rates and 1-for-a-fraction return to the employee is the wage payment plan most effective. The variations in this method are legion but the principle is the same. Both the employer and the employee share the risk that a fortuitous set of conditions may make premium earnings ridiculously high or low, with the result that the reward is not commensurate with the effort. The employee gets some fraction, say 50 per cent, of the time between the production standard and the actual time taken.

The wage payment plan may cover the work of each individual on incentive separately, or cover the work of a small group working on a related activity, or cover the work of a department, or cover the work of a plant.

There are some operations, like an assembly, that can be successfully put on incentive only through the use of a group incentive system. Under the favorable conditions of high plant morale, the output-per-man-hour for a group may even exceed the output from individual incentives because of the myriad ways and means the members of a group may help each other. Furthermore, group incentive is in line with the union philosophy of group security.

The complete utilization of the group incentive idea is reached when the total incentive earnings are shared by all the incentive workers in a department. In it there is little direct relation between individual effort and premium earned, with the result that the urge to produce is diluted to the maximum. However, the same human forces and opportunities to help each other exist in these larger groups as in the small production groups, and become effective as the morale of the larger group improves.

In conclusion, it can be said that the design of an incentive has two parts. First, the development of a wage policy that will win and hold the confidence of the incentive workers and cause them to want to put forth more effort for more money. Second, the adoption and application of some variation of a common form of wage payment to the peculiar work situation in the plant. Of the two parts, the wage policy is by far the most important. With a good wage policy and high plant morale, almost any form of wage payment will suffice if there is a direct receipt of more money for more effort. END

Authors In This Issue . . .

W. L. McGRATH, a past president of SAM, is the president of the Williamson Heater Company, of Cincinnati, Ohio. In his long executive career he has served the United States Government in the Ordnance Department and auditing office of the War Department (during World War I) and as consultant to the War Production Board and War Manpower Commission during World War II. Mr. McGrath was a member of the American delegation to the 32nd and 33rd Annual Conferences of the International Labor Organization, which furnished him with many of the facts on labor relations—national and world-wide—which he discusses in this issue (page 5).

ROBERT M. CROOKS, the Director of Industrial Relations for United Parcel Service, began his career with admission to the Pennsylvania Bar in 1938 as a practicing attorney. He served as a captain (USMCR) during World War II, taking part in the Guadalcanal, Bougainville, Philippine, and Okinawa campaigns; upon his discharge he became Labor Relations Supervisor for the Scott Paper Company. An instructorship at Temple University preceded his present position with United Parcel. Mr. Crooks is the author of an analysis of Britain's suspension of the gold standard in 1931, as well as several articles on legal and personnel questions.

MILON BROWN, of the Supervisor Development section in the Office of Civilian Personnel, United States Army, has had a distinguished record of civilian and government service. From 1931 to 1940 he was District Director for Pennsylvania of the NYA and the WPA Adult Education program. In 1940 he became Adult Education Advisor to the Pennsylvania State Department Public Instructor. Federal personnel positions from 1942 to 1946 were followed by his Directorship of the Institute of Administrative Management in Philadelphia. His book A BASIS FOR EXECUTIVE DEVELOPMENT was published in 1953. The Department of the Army awarded him its Commendation for Outstanding Civilian service in 1952. In this issue (page 13) Mr. Brown points the way toward management improvement.

LEO TEPLOW, author of the article on the economic and sociological challenge of productivity to American management (page 17) is a consultant with an industrial institute and has a varied background in industrial engineering. Early in his career Mr. Teplow made the transition from patent examiner to the industrial relations division of a large farm equipment manufacturer. He then became affiliated with the National Association of Manufacturers as an Associate Director. After an assignment abroad with the Economic Cooperation Administration in Italy he returned to his former post with the NAM. Later he became an independent industrial relations consultant.

FRANCES U. VASS, Wage and Salary Administrator of the Perfex Corporation of Milwaukee, Wisconsin, is one of the few women who have entered and made a national name in the field of industrial engineering. Mrs. Vass brings to her executive management experience in the Milwaukee Chapter's *You Be The Boss Contest* (page 20) a wealth of practical knowledge. She has, during her varied career, been consulting engineer to a Chicago firm, worked in the unemployment insurance office of a men's clothing firm, been employed in such different businesses as hotel, a radio parts manufacturing concern, and a pharmaceuticals manufacturing house. She has made a study of temperature controls for the Perfex Corporation before assuming her present position. Mrs. Vass is, in addition to the above, a member of the Industrial Relations Association of the State of Wisconsin.

W. C. ZINCK is a practicing consultant on training in work simplification. He developed and now corrects the correspondence course in that subject given by the National Foremen's Institute. He was active in the formation of the Lehigh Valley Chapter of SAM and is now its National Director. In his thirty years of experience following his graduation as Honor Student in Mechanical Engineering from the University of Cincinnati in 1930, he has been clerk, tracer, draftsman, designer, plant engineer, time study engineer, industrial engineer, assistant general superintendent, manager branch plant, production manager, purchasing manager, assistant to vice-President in charge of manufacturing, factory manager, and consultant on methods improvement.

FEBRUARY CHAPTER ACTIVITIES

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AM Economics Review . . .

A Survey of Economic Education Surveys

With the growth of emphasis upon economic education programs in recent years has come a number of studies designed to survey the total effort being made on part of colleges and secondary schools, business firms, foundations, and a wide variety of others concerned with the state of economic literacy. Three of these surveys deserve particular mention.

The first is a study prepared by the Brookings Institution in 1950, with financial assistance from the Alfred P. Sloan Foundation. This study is a follow-up of one undertaken for the Sloan Foundation in 1937, and concerns itself with an analysis of economic education programs of (1) the secondary schools; (2) private business schools; (3) colleges and universities; (4) other educational agencies such as the American Economic Foundation, the Joint Council on Economic Education, the Foundation for Economic Education, etc., and (5) special interest groups such as trade associations and labor unions.

The second study worthy of particular mention is one prepared under the auspices of the Foremanship Foundation and published in 1951 under the title "Survey of Economic Education." In his capacity as Educational Consultant to the Foundation, Dr. Bird concerned himself with an analysis of the economic education programs of 200 business firms in the United States. He summarizes his investigation in terms of (1) the "packaged" programs which are widely used in employee education, and (2) the individual-company programs which are tailored to meet particular needs, including both supervisory and non-supervisory programs, communications programs, and community programs. Of particular interest in this survey is a rather detailed examination of the "packaged" programs in terms of objectives, content, approach, audience, methods and media, costs of the programs, testing and evaluation, and the type of leadership involved.

The third study of importance is one completed in May, 1953 by Richard Stanton Rimanoczy of the American Economic Foundation. This study, prepared for the Lincoln Foundation, is not available for general distribution as far as is known. By use of questionnaires Mr. Rimanoczy examined two important aspects of economic education activity in the United States: (1) the adult programs of extension departments of colleges and universities; and (2) the various business-sponsored programs for employees.

It is obvious that these three surveys differ a great deal in terms of approach, areas of investigation, and methods used. Together, they present a rather complete picture of the multiple efforts designed to improve economic understanding. The Brookings study is the most comprehensive of the three; the Foremanship Foundation report is particularly good in the analysis of the "packaged" programs used in industry; and the Rimanoczy study is excellent in its examination of employee programs of business concerns.

Through the cooperation of the American Society of Training Directors, Mr. Rimanoczy was able to analyze the economic education policies and programs of 520 American corporations. Of this number, 61 per cent indicated some sort of attempt to "teach" economics to employees. When asked why they attempted to give employees training in economics, some of the following reasons were stressed: (1) employees get little or no economics in high school, and those who did found the subject rather "dull"; (2) employees need to know the truth about actual operations of industry; (3) such programs improve the loyalty of the employee to the firm and tend to offset anti-management sources; and (4) they provide interesting information for thinking about worker security, management security and stockholder security.

Of the companies with economic education programs, almost 57 per cent covered all employees—executive, clerical, and production. While some of the programs were limited to only one or two groups of employees, it is worthwhile to note that in all but 15 per cent of the companies studied, executives were covered with some type of economics training.

When asked about the methods employed in teaching economics, the emphasis was as follows in the order listed: (1) conferences with members of management; (2) editorial content of employee publications; (3) mailing or rack distribution of literature with economic content; (4) "classroom" teaching with instructor; (5) conferences with "amateur" volunteer leaders drawn from the conference group; and (6) conferences with professional "outside" leaders. It is interesting to note that 45 per cent of the companies with economics programs made use of formal "classroom" techniques, and that the use of the "amateur" conference leader was somewhat more popular than the use of the "outside" professional.

Of the 329 companies with programs, 144 reported use of a packaged course. The most popular of the packaged courses were the HOBSO (How Our Business System Operates) Program, now distributed by the National Association of Manufacturers as the Visual Economics Program, and the Seminar Program developed by the American Economic Foundation. In only nine of the companies was a text-book used as a basis for study. Instead, widespread use of charts, slap-boards, and motion pictures was reported.

When asked why their employees were interested in economics, most of the companies replying gave "general intellectual curiosity" an an answer. Many also gave such answers as "their personal 'selfish' welfare" and the issue of "freedom versus collectivism." It is most interesting to note that 174 companies indicated they had measured employee enthusiasm for economics training, and that in only two cases had the results been unfavorable.

On basis of the Rimanoczy survey it is apparent that extremely little has been done by way of evaluating the results of economics training in terms of employee attitude and changed economic opinion. Only 57 of the companies with programs indicated that they had made an attempt to measure changes in employee attitudes.

A study of these three reports will prove rewarding to management. One cannot fail to be impressed with the need for greater understanding of basic economic principles and processes, and the wide variety of efforts now being made in the name of economic education.

—ROBERT H. LAWS

CIPM Reports . . .

Managements Interest in Foreign Trade Policy

When the Randall Commission makes its report to the President early in March, the ears of American and foreign management ought to be ready to listen to its recommendations. Although the current debate will probably not bring to light any new vital arguments for or against liberalization of American foreign trade policy, at least the arguments will once again be defined and further clarified for future public deliberation. Also the Commission's recommendations are to be the basis for the Administration's future legislative program in this field.

Management in this country and abroad will be well advised to consider seriously its role in the light of possible changes or adjustments in our national trade picture. Barring an appreciable change of policy, American management in the immediate future may not face any new conditions which would seriously affect its present programs of procurement, production, organization and distribution. On the other hand, if our policy should tend toward greater liberalization or protection, vast new problems would face American management men, especially those whose present programs rely heavily on foreign markets or government protection from foreign competition.

Whether or not the new trade policy is appreciably different, foreign management will in all probability change its current programs drastically. In the long run, this will deeply affect the future condition of American management.

The reason for this is simple. Management abroad, particularly in western Europe, has been particularly cautious during the past two years in not committing itself too rigidly to organizational and programmatic changes, long overdue but contingent upon the future course of American trade policy. Before the American elections of 1952, foreign management sat tight while the controversial issue was carefully ignored in this country for political reasons. Foreign management is now impatiently awaiting the outcome of the present Administration's assignment of the issue to a study commission.

Once the report of the Randall Commission is made and the subsequent legislation is enacted, we can be sure that foreign management will embark upon more dynamic and intensive programs than have characterized it in the past. Thus we are certain to see management plans abroad which will be geared more unequivocally toward increased dependence on governmental paternalism or laissez-faire economies; toward increased productivity or more entrenched business lethargy; toward increasing use of the cartel system or the free competitive enterprise system; toward greater reliance upon regional blocs, autarchy or expanded world-wide trade; toward expansion or contraction of business activity with the Soviet bloc.

These sudden program shifts abroad, whether shifts in orientation or merely in emphasis, will soon have important repercussions on American management plans in all fields. This poses a difficult problem for those who wish to ensure economic stability and security among the nations of the free world. Whereas many foreign observers attach the prime importance to American trade policy as the one great determinant of the future of international business intercourse, other astute observers envisage our trade policy as only one important facet of the general problem. They would also give equal attention to the domestic policies of the individual governments and individual enterprises in putting their own houses in order, exclusive of the foreign trade issue.

However, whether we like it or not, foreign management will make its future decision largely as a result of what direction American trade policy follows. Our trade policy will be for them the significant stimulus to action, and they will respond, perhaps prematurely, in very certain fashion. This is one of the many disadvantages which always plague a world economic and political leader such as the United States is today.

American management, probably to a lesser, and foreign management to a greater degree, will need to plan its organization and operations in such a way as to dove-tail with American plans to retain, raise, or lower the present trade barriers. The private manager may have strong opinions one way or the other on the foreign trade issue, but as a professional man, he will be obliged to accept the facts and consequences of whatever political decision is made. Tomorrow's plans for management will have to be adjusted accordingly in stoical fashion.

The future of the international scientific management movement, to which CIPM has so completely pinned its faith, may be a direct function of the course which American trade policy follows. Certainly there will be profound effects upon productivity, competition, and standards of living in the free world, if the present policy is altered significantly one way or the other—and probably even if the status quo should continue.

The Council represents business leaders who believe that professional and scientific management in free countries can contribute substantially to improvement of living standards for their people by means of increased rationalization of the tools and techniques of business organization and operation. Management here and abroad who subscribe to this thesis will do well to ponder the following six questions which are posed apropos of the future trade policy of the United States:

- To what extent will the policy stimulate increased competitive enterprise at home and abroad, and to what extent will increased competition spur increased productivity and increased rationalization?
- What will be the effect on the expansion of domestic and foreign consumer markets, on the fullest and most rational use of available labor and material?
- What will be the future of the cartel system, of political paternalism to business, of exchange convertibility?
- What are the prospects for the growth of trade activity as between individual countries or as between regional or currency "blocs"?
- What is the future for marginal industries or for enterprises that fail to adopt scientific management techniques?
- How will the trade policy affect the enthusiasm and desire among private management of all countries for the mutual exchange of technical know-how, and what will be the future of foreign investment and foreign aid activities?

—ROBERT M. GLEASON

AM Labor-Relations Report . . .

Divided Loyalty Among Supervisors

Since the passage of the Taft-Hartley Act the legal status of supervisors has been open to question. They are not employees under the act, which is federal law. Are they, therefore, employees for bargaining purposes under state law? The Supreme Court of California has made an attempt to resolve at least a part of this question in a case involving Safeway Stores, Inc. vs. Retail Clerks International Association. The case arose when the union moved to again represent the chain's retail store managers as well as certain other of the stores' employees.

In writing the majority opinion for the Court, Justice Shenk had this to say on divided loyalty:

"Store managers are agents of management, when so acting they owe undivided loyalty to the principal. As members of the defendant unions, they would, under union rules, be in duty bound to advance the cause of the community of interest of store managers and clerks in any dispute or disagreement with their principal. They would be under constant apprehension of the penalties under union rules, such as fines, suspension, or expulsion. It is eminently proper that *management supervisors*, the store managers in this case, be kept free from the divided loyalty that would be engendered by compulsory membership in the defendant local unions. Under the law, an employer may not demand that his representatives sit in the inner councils of labor and thus be placed in the position of exerting his influence in directing labor's policies and activities. If such an objective were recognized and were accomplished, collective bargaining would be in confusion and indeed futile. By the same token an employee union may not insist that a representative of the employer be required to participate in its deliberations under union rules and thus divide his loyalty.

"Confronted with the responsibility of declaration where as here there is no constitutional or legislative guide on the subject, we hold that the trial court was correct in deciding that the coercion sought to be exercised by the defendants under the circumstances of this case was not reasonably related to any legitimate interest of organized labor; that the activities of the defendants were not in the furtherance of any proper labor objective, and that as a matter of sound public policy were enjoinable within the equity jurisdiction of the court."

The words of wisdom of Justice Shenk, even though he is far removed from the industrial scene, should give both supervisors and general management food for thought. There is increased effort to obtain bargaining rights for supervisory employees under state law which also should be watched. The State Labor Relations Board in Pennsylvania has just ruled that the Pennsylvania Labor Relations Act does not extend its protection to supervisory employees. It is assumed that the matter will soon be brought before appropriate tribunals in other states as part of the effort to circumvent the restrictions in the Taft-Hartley Act.

In another recent case of resolving the question of divided loyalty, the National Labor Relations Board reversed a long standing policy on part-time guards. In the case involving the Walterboro Manufacturing Corporation and the International Ladies Garment Workers Union the Board ruled that the policy considerations which impelled statutory prohibition against inclusion of guards and non-guards in the same bargaining unit are as applicable to part-time as to full-time guards, "since it is the nature of the work and not the percentage of time devoted to it which underlies these considerations."

This is a case which is typical of many small operations. The watchmen in question spend 75 per cent of their time at regular maintenance work in the plant and the remainder in watchmen duties: making plant rounds, punching time clocks at regular intervals, and reporting infractions of company rules. In commenting in part on the case, the National Labor Relations Board said, "Neither the statutory language nor the legislative history gives any indication of an intent to exclude part-time guards from the definition of 'guards'. The legislative history demonstrates that Congress was concerned with the possibility that if guards were included in production units their loyalty to fellow union members might conflict with their duty to report to their employer derelictions of duty or violations of rules by employees. An employee who spends only part of his time as a watchman will, of course, be in a position where the conflict between his loyalty to his fellow employees and to his employer will exist only part of the time."

Nevertheless, they held that while even a small fraction of work time was spent as a guard, they could not be included in a unit of plant employees.

Where the supervisors have not been taken into the management structure of the organization and find their bargaining rights lost in the legal ambiguity of not being considered "employees" under federal law, it is natural that they, or their representatives, make an effort toward obtaining rights under state statutes. At the risk of laboring this point, I must again recommend a critical examination of the supervisory structure of each business or industrial organization. This is an area where preventive labor relations can do the job ahead of time rather than waiting to put out the fire that might arise from a favorable ruling in the courts or a sudden amendment to existing law.

The unusual amount of labor unrest which took place during the recent holiday period, when being without normal income is most unpopular, gives compelling evidence that there has been failure somewhere along the line. Of course, we can always say that the failure actually is in the quality of leadership which the members of the bargaining unit are willing to follow. Since this is an area that is difficult to change, it makes a convenient "out." Nevertheless there is an old axiom that says that you create the kind of leadership which the situation at the moment demands. In all too many labor relations situations this is true. Hence *preventive labor relations* might avoid the necessity of cooperating with the inevitable.

—Lowell F. Johnson

AM Advertising Review . . .

Who Owns and Controls Advertising?

On July 30, 1953, Thomas B. Haire, Publisher of twelve different business papers, made an address before the Rotary Club of New York, entitled, "Who owns and controls advertising?"

(Reprints of his complete talk are still available. Address Haire Publications, 1170 Broadway, New York 1, New York for a copy.)

"You (the reader) not only have rights, responsibilities and privileges in your control of media, but you also sit in the driver's seat in your control of the advertising business," said Mr. Haire.

The publishing of any consumer publication, scientific magazine, newspaper or business paper or magazine, is today one of the most complicated business operations in this country.

As has been stated in this column before, a successful business publication is the lengthening shadow of some individual, who, with his associates, culls from the mass of information sent him the articles, studies, reports, and other data that he believes will be helpful in solving some problem.

So, in the last analysis, the subscriber of any business paper really owns and controls advertising. Unless he continues to pay the publisher each year for his subscription, and occasionally buys some of the articles advertised in the magazine, the publisher sells his subscription list, takes his loss, and moves on to some other field of endeavor. It's just that simple.

Exceptions

During the past 25 years many associations have been compelled to enter the publishing business. Why? Because many of the regular business publications did not print sufficient information about the work of the Association.

ADVANCED MANAGEMENT is typical of this kind of publishing. Every month articles, studies, reports, reviews and case histories appear in ADVANCED MANAGEMENT that seldom if ever are accepted for publication in other business publications.

Once an individual has joined the Society for Advancement of Management, he receives each month at his home or office a publication that fits his work, and that is devoted exclusively to Scientific Management.

TIME magazine for years has boasted of the fact that many of their subscribers read the magazine each week from cover to cover. ADVANCED MANAGEMENT is not only read from cover to cover, but back copies of the magazine are bought by members and hundreds of others who learn of some report or special article which they use to help them with some current problem.

Over the years no special effort has ever been made to sell advertising space in ADVANCED MANAGEMENT. The advertisers who use the book know that the circulation is solid, composed of men who not only want the magazine, but who are also interested in the work of one of the fastest growing and dynamic associations in this country.

Since the establishment of the Advertising Research Department at the Society's new headquarters in July, many members and advertising agencies, and business paper publishers have asked for information about the Society, and in some instances requested specific information as to how they might use ADVANCED MANAGEMENT to win new customers.

We agree wholeheartedly with Mr. Haire when he says, "The reader sits in the driver's seat in the control of the advertising business."

Advertisers who have goods or services that they think our readers should know about are invited to call, write, or phone us for any information they may want about our members, who very often have the final say as to whether an order should be placed with a new supplier.

—FRANK E. FEHLMAN

AS THE NATION GOES; SO GOES ADVERTISING . . .

Whether the advertisement is to be run in three lines under the "Used Car" column in the classified section of a paper, or released in a double spread in *Life, Time,* the *Saturday Evening Post,* or *Good Housekeeping,* some individual sooner or later must assemble a group of words, construct sentences and paragraphs that tell the reader something about what is offered for sale.

In 1900, when we had a population of 75,000,000, our local and national advertising expenditures totaled $490,000,000. For 1948, with the population estimated at 144,000,000, *Printers' Ink* reported that American businessmen spent more than $4,800,000,000 in the local and national fields of advertising. During the past 48 years our population has increased almost 100 per cent, while our advertising expenditures have increased 700 per cent. . . . *from the preface of "How To Write Advertising That Sells," by Frank E. Fehlman.*

The Management Bookshelf . . .

Over-all Executive Functions Evaluated in New Study By Yale Research Specialist

EXECUTIVE LEADERSHIP: AN APPRAISAL OF A MANAGER IN ACTION, *by Chris Argyris. 136 pp. Harper & Bros., New York. $2.50.*

The Leader, a particular executive studied on the job and in interaction with his subordinates, is subjected to an evaluation by Chris Argyris, the Director of Research Projects at the Labor and Management Center of Yale University. In the course of this study, the author includes not only his own observations and judgments, but also permits The Leader to express his concept of how he thinks he leads and his attitude toward this kind of leadership. In addition, the report is further objectified by the inclusion of The Leader's supervisors' reactions to the leadership given.

The synthesis of these divergent points of view makes a valuable contribution to management's understanding of the function of leadership and the process of leadership training.

The fact that this is a record of what actually happened in a real plant makes this book more than a mere exposition of theory. It is a documented insight; something welcome in an area still much in need of exploration.

Sound Book on Textile Work Should Interest Time Study Men, Industrial Engineers

TEXTILE WORKERS JOB PRIMER, *by Solomon Barkin in collaboration with Franklin G. Bishop and Sumner Shapiro. A Research Department Technical Report. 214 pp. Textile Workers Union of America, CIO.*

In a concise introduction to this unique book the main author makes clear its purposes: "It is intended to help textile workers to achieve a better understanding of the work they do, so they can bargain more effectively with management on their conditions of employment."

Thus we have two not wholly compatible goals. The "understanding" phase obviously demands a text of a purely informative and, in this instance, a highly technical nature. The "bargain" phase requires that the factual data be presented in such a manner that they can be used with a positive bias. Whether that bias should be defensive or offensive must have posed a serious problem to the author who, although having obvious respect for technical and economic factors, must, because of his position as advisor to one of this continent's most powerful unions, take a position somewhat left of center.

In the same sense, although perhaps to a lesser degree, it is difficult for one from the management camp to review such a work in complete detachment. With this in mind it seems advisable to ignore the indications of bias (which are in fact minor and put forward with restraint) and to accept at its face value the hope of the author that management will read the book and accept it as a contribution to a higher level of maturity in collective bargaining.

We mentioned at the outset that the book is unique. This is no idle remark, even though the uniqueness lies in its source. Certainly this reviewer has no knowledge of any other union officers preparing so detailed (and, we believe, so accurate) a survey of highly specialized and intricate operations, along with some of the similarly specialized techniques of rate-setting that accompany them.

Rate-setting is hardly the term, since the bulk of the work relates to the subject of work assignments. This has always been a particularly difficult problem in primary textiles and is becoming increasingly so as the recent flood of technological developments comes into relationship with the severe economic pressures encountered by the textile industry.

That Mr. Barkin understands these matters is most apparent and while he more than once uses the term "stretch-out" with its emotional connotations, he makes it plain that he concurs in the full exploitation of the new machines and new raw materials.

The book is divided into nine sections called "lessons". The first is brief and outlines some of the economic and social issues as they affect the mill employee.

Lesson 2 deals with job specifications and the detailing of working conditions. Here is advanced a way of determining workloads which the author calls "Bench Mark Procedure". This somewhat rough and ready method is advocated as meeting the need for variable machine assignments because of variations in job content. It "defines the workload in terms of the frequencies of the principal work elements". One is entitled to have doubts as to the acceptability of this scheme were it to be proposed by management. However, in the absence of first class time study techniques it has its points, not the least of which is the emphasis on the fact that a proper machine allocation depends on the amount of manual work required.

Lesson 3 deals with Work Duty Charts and Lesson 4 discusses Work Element Descriptions.

Lessons 5 to 8 deal with the technical aspects of determining and relating the frequencies of the various work elements in tending spinning frames and other equipment. The factors affecting these frequencies are well set out and there is a great deal of information of a mathematical and physical nature.

The final lesson (No. 9) discusses at some length the intricacies of machine efficiency. There is some pressure to establish machine efficiency as invariably more desirable than labor efficiency, but at the same time there is also a goodly amount of shrewd and interesting comment on a subject which all textile time study men find extremely difficult to handle. For instance the comments on the types of machine patrolling, and on interference, while not extensive, betray an insight that is more often found lacking in texts of this type.

Mr. Barkin and his associates are to be complimented on the able completion of a major task. There are supplementary sections not here reviewed. The first is the comprehensive "Work-Duty Charts for Textile Operators," already published. The second, not yet available, is "Forms for Calculating the Frequency of Periodic Work Duties."

—RALPH PRESGRAVE

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